



歸創通橋醫療科技股份有限公司

ZYLOX-TONBRIDGE MEDICAL TECHNOLOGY CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

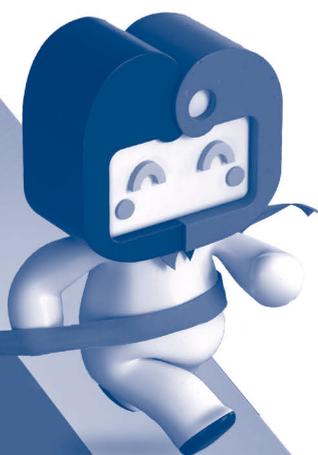
Stock Code : 2190

Interim Report

2023 

CONTENTS

	<i>Page</i>
CORPORATE INFORMATION	2
FINANCIAL AND BUSINESS HIGHLIGHTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	5
CORPORATE GOVERNANCE AND OTHER INFORMATION	22
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	40
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	41
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET	42
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	44
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	45
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	46
DEFINITIONS	77



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Jonathon Zhong Zhao (趙中) (*Chairman*)
Mr. Yang Xie (謝陽)
Dr. Zheng Li (李崢)

Non-executive Directors

Mr. Stephen Hui Wang (王暉)
Mr. Dongfang Li (李東方)
Dr. Steven Dasong Wang (王大松)

Independent Non-executive Directors

Dr. Jian Ji (計劍)
Mr. Hongze Liang (梁洪澤)
Ms. Yun Qiu (邱斌)

JOINT COMPANY SECRETARIES

Mr. Quanwei Yuan (袁泉衛)
Ms. Sau In Kwan (關秀妍)

AUTHORIZED REPRESENTATIVES

Dr. Jonathon Zhong Zhao (趙中)
Ms. Sau In Kwan (關秀妍)

SUPERVISORS

Ms. Jie Liang (梁婕) (*Chairlady*)
Ms. Hongbo Wang (王宏波)
Mr. Tao Liu (劉濤)

AUDIT COMMITTEE

Ms. Yun Qiu (邱斌) (*Chairlady*)
Mr. Hongze Liang (梁洪澤)
Dr. Jian Ji (計劍)

REMUNERATION COMMITTEE

Dr. Jian Ji (計劍) (*Chairman*)
Dr. Jonathon Zhong Zhao (趙中)
Mr. Hongze Liang (梁洪澤)

NOMINATION COMMITTEE

Dr. Jonathon Zhong Zhao (趙中) (*Chairman*)
Ms. Yun Qiu (邱斌)
Dr. Jian Ji (計劍)

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and Registered
Public Interest Entity Auditor*
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STOCK CODE

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COMPANY'S WEBSITE

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Financial and Business Highlights

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		Period to period change
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	
Revenue	230,131	152,743	50.7%
Gross profit	170,646	115,477	47.8%
Gross profit margin	74.2%	75.6%	(1.9)%
Loss for the period	(35,514)	(25,504)	39.2%
Add:			
Share-based compensation	29,992	34,145	(12.2)%
Non-IFRS adjusted net profit/(loss) for the period⁽¹⁾	(5,522)	8,641	N/A

(1) The Company presents adjusted net profit/loss for the period by reversing share-based compensation from loss for the period. Such adjusted net profit/loss for the period is not a measure under IFRS. Please refer to section headed "Non-IFRS Measures" in this report for more details.

I. BUSINESS REVIEW

Overview

We are a leading player in the neuro- and peripheral-vascular interventional devices market in China. As an integrated medical device company supported by our in-house R&D and manufacturing capabilities, proprietary technological platforms and commercialization capabilities, we provide physicians and patients in China and overseas with medical devices to treat and manage neuro- and peripheral-vascular diseases. We strive to provide all patients, regardless of their ethnicity, age and economic conditions, with accessible medical devices and services.

The neuro- and peripheral-vascular interventional devices market continues to demonstrate huge growth potential attributable to the following factors: (1) The neuro- and peripheral-vascular interventional devices market is still at an early development stage in China. Accordingly to the *Survey of Current Practice of Endovascular Treatment for Acute Ischemic Stroke (AIS) in China in 2020*, although the annual surgical volume of AIS-EVT in China is large, the proportion of AIS-EVT treatment in patients with large vessel occlusion is likely to be less than 10%. Considering China's large population and the high incidence rate of AIS, the AIS-EVT treatment in patients with large vessel occlusion is estimated to be approximately 300,000 in China, assuming a 50% treatment suitability ratio similar to that in the United States. In the meantime, the penetration rate of peripheral artery diseases-related surgery was 5.4% in the United States in 2019, such penetration rate was only 0.2% in China as disclosed in the Company's Prospectus. With an aging population and increasing prevalence of diseases, we expect that the treatment penetration rate for vascular diseases will gradually increase; (2) Strong government support to further development of the neuro- and peripheral-vascular interventional devices market. The Chinese government has also been supporting the development of clinical infrastructures for stroke treatment, such as establishing green channels for acute strokes and stroke recovery outpatient departments in provincial, municipal and local hospitals since 2018. According to data from the National Stroke Center, a total of 603 advanced stroke centers and over 1,200 stroke prevention centers had been established nationwide, and most of them are continuously increasing their treatment capacity. On May 23, 2023, an expert committee on the project of reducing one million disabilities was established by the National Health Commission to facilitate a number of tasks, including organizing the formulation and revision of stroke prevention guidelines, guidelines and regulations on the construction and management of stroke centers and the construction and management of stroke emergency maps, as well as providing technical support for the provincial health administrative departments to promote stroke prevention; and (3) the domestic substitution is expected to accelerate as we see various factors may facilitate better products at reasonable prices to be used clinically following the implementation of VBP and DRGs. We are expecting various policies to allow leading domestic companies with comprehensive portfolios and strong operation efficiency to gain more market shares.

Business Highlights

We continued to maintain our fast-growing trend in terms of product development and commercialization in the first half of 2023.

During the Reporting Period, we achieved a revenue of RMB230.1 million, representing an increase of 50.7% as compared to the first half of 2022. 72.1% of our revenue was derived from the neurovascular interventional products business and 27.9% was derived from the peripheral-vascular interventional products business. The significant growth of our revenue was primarily attributable to the high sales growth of both neurovascular and peripheral-vascular interventional devices segments.

The revenue from sales of neurovascular interventional products increased by 48.7% as compared to the first half of 2022, primarily because of (i) continued revenue growth from our key products, such as SilverSnake® Intracranial Support Catheter, Intracranial PTA balloon catheter (Rx) and Thrombite® Clot Retriever Device (Thrombite® CRD) attributable to increasing quality and clinical performance recognition from physicians and our effort in increasing marketing penetration; and (ii) increased revenue from of the neurovascular embolization coil as we expanded our hospital access through the VBPs of most provinces.

The revenue from sales of peripheral-vascular interventional products increased by 55.9% as compared to the first half of 2022 because the sales revenue of our UltraFree® Drug Coated PTA Balloon Catheter (UltraFree® DCB), PTA Balloon Catheter and High Pressure PTA Balloon Catheter grew rapidly because of our continuous efforts in gaining market access, increasing hospital penetration and expanding distribution network.

We have strived to build an extensive sales network to improve our capability to serve physicians and patients across China. With a proven track record of commercializing 28 products domestically and eight products in Europe, we had established an extensive distribution network covering over 3,300 hospitals across 31 provinces and municipalities in China as at June 30, 2023.

1. We continued to grow our business and increase our market share by leveraging a differentiated product portfolio and strong academic marketing capability in the domestic market.

We appreciate that medical devices shall be designed and upgraded to continuously meet physicians' evolving needs to provide more convenient and safer treatment to patients. With this in mind, leveraging our R&D capabilities, we continuously provide new, high-quality products with unique technical features. Our unique product positioning lays the foundation for us to gain market share with our strong academic marketing capability.

The successful commercialization of SilverSnake® product family is a good illustration of the combination of our clinical demand-focused R&D capabilities and strong academic marketing capabilities. We launched SilverSnake® Intracranial Support Catheter in September 2020. As an access product, it was designed for use in mechanical thrombectomy procedures adopting the trans-femoral approach (TFA) in the treatment of a treat acute ischemic stroke (AIS). Leveraging the success of SilverSnake® intracranial

support catheter, we launched SilverSnake® Plus Intermediate Catheter in February 2023, which is an upgraded version compatible with both trans-femoral approach and trans-radial approach (TRA). TRA is a well-established approach in interventional cardiology while it has gradually gained attention in the field of neurointervention. It benefits patients with increased surgical safety and reduced recovery time. SilverSnake® Plus Intermediate Catheter is the first NMPA-approved access catheter indicated for the introduction of interventional and diagnostic devices into the vasculature under trans-radial approach. To bring the TRA to more physicians and patients, we started to engage in academic activities related to the TRA. In July 2022, we first summarized and proposed the R-DAS (trans-Radial telescoping catheter technique with a Distal Access catheter and Simmons catheter) approach, which is a further upgraded approach on the basis of TRA. We also provided support to leading physicians and scholars for the publication of *Clinical Consensus of Trans-Radial Approach for the Diagnosis and Treatment of Neuro-Intervention* in October 2022. To provide physicians with hands-on experience and enhance their understanding of the R-DAS approach, we have held onsite meetings and training sessions to provide them with opportunities of simulation operation and operation livestream. The SilverSnake® catheter product family is expected to have a market share of 20% in China based on our estimate.

2. Our high efficiency in R&D and commercialization activities allows us to act proactively in response to changing industry dynamics.

We strive to be a total-solution provider in both neuro- and peripheral-vascular interventional devices markets. We have developed an integrated platform for the discovery, development, manufacture and commercialization of interventional medical devices for neurovascular and peripheral-vascular diseases. With the implementation of policies such as volume-based procurement (VBPs) and diagnostic-related group (DRG) payment, the efficiency to bring products with better clinical performance and consistently high quality to market at relatively attractive prices is one of the key decisive factors to maintain a competitive position in the long run. It calls for not only the efficiency in R&D but also the efficiency in commercialization for a medical device company to thrive.

With our strong R&D capability and integrated technology platforms, we continue to advance our product R&D progress with great efficiency. As at the date of this report, we have a total of 28 products approved by the NMPA and eight products with CE Marks, which makes us one of the leading companies with the most comprehensive product portfolios in the vascular interventional medical device industry in China. During the Reporting Period, we obtained NMPA approvals for eight products and completed patient enrollment for the clinical trials of two products. Since June 30, 2023 and up to the date of this report, we also obtained NMPA approvals for one product. In the meantime, 11 product candidates are at the clinical stage and 14 product candidates are at the registrational stage as at the date of this report.

With our strong commercialization ability to effectively leverage our sales network and resources, we were able to take every opportunity to increase our products' market penetration. When the provincial VBPs in Jiangsu, Fujian and 21-province alliance for neurovascular embolization coils started in 2022, we carefully designed and executed our bidding strategies, and successfully won the first place in each bidding group. As a result, we quickly expanded our hospital access for the products taking advantage of the provincial VBPs, which led to a significant revenue growth in the first half of 2023. We expect to obtain an approximately 10% market share according to our estimate in 2023, despite that our product is the 19th approved neurovascular embolization coil in China.

3. We continued to create new impetus for the growth of our international business.

We continued to expand our presence in the international market by building up our local teams, and we have seen significant revenue growth as our international business expanded. In the first half of 2023, we generated a revenue of RMB6.2 million from outside of the PRC, which represented an increase of 128.7% compared to the first half of 2022. As of June 30, 2023, our products had been commercialized in 19 overseas countries, such as Germany, France, Italy, Poland and Belgium. We developed a new business model different from the traditional distributorship model other than selling our own brand products. Leveraging our manufacturing know-how, we provided OEM services to local brands in some emerging markets, such as India. We have further enhanced our brand awareness in the European market by presenting the high quality of our products and the comprehensive solutions that we offer on several top academic conferences in Europe, such as Live Interventional Neuroradiology, Neurology & Neurosurgery Course Paris 2023 (LINNC PARIS 2023) and Leipzig Interventional Course 2023 (LINC 2023).

4. We enhanced our in-house manufacturing capabilities by utilizing technology platforms and applying shared technologies across business segments and product lines.

With continuous dedication to high product quality and manufacturing efficiency, we continue to improve our R&D and manufacturing platforms, such as the balloon forming and manufacturing platform, the braiding and coiling catheter development and manufacturing platform and the stent forming and processing center. Our integrated development and manufacturing process enables smooth collaborations and accelerates the development process during the full product life cycle and therefore helps us improve our quality and cost efficiency. Our current main manufacturing centers are located in Hangzhou and Zhuhai and both are expanding with larger scale, advanced manufacturing capability and efficiency. As a result, over the past two years, we had always maintained a relatively high gross profit margin of over 70%.

Our Products and Product Pipeline

As China's leading interventional medical device company in developing minimally invasive vascular interventional medical devices, we have built a comprehensive product portfolio including neurovascular and peripheral-vascular interventional devices. As at the date of this report, we have strategically developed a total of 57 products and product candidates, including 28 products approved in China and eight products approved in Europe.

The following chart sets forth our commercialized products and expected commercial launch year of our product candidates as at the date of this report:

Product Portfolio for Neurovascular Interventional, Peripheral-Vascular Interventional and Vascular Closure Devices in China Market:

Breakdown by Category	Commercially Launched	Expected Commercial Launch Year					
		2023	2024	2025	2026	2027	
Neurovascular Interventional	Intracranial Ischemic Stroke	<ul style="list-style-type: none"> • Thrombite® Clot Retriever Device (Thrombite® CRD) • Balloon Guiding Catheter (BGC) • Aspiration Catheter • Aspiration Pump System 	<ul style="list-style-type: none"> • Clot Retriever Device II 				
	Intracranial Stenosis	<ul style="list-style-type: none"> • Intracranial PTA balloon catheter (Rx) • Microcatheter for Intracranial Stent 		<ul style="list-style-type: none"> • Second Generation Intracranial PTA balloon catheter (Rx) • Intracranial Drug Coated Balloon Catheter 	<ul style="list-style-type: none"> • Intracranial Stent • Drug Coated Self-expandable Intracranial Stent 		
	Intracranial Hemorrhagic Stroke	<ul style="list-style-type: none"> • Neurovascular Embolization Coils • Microcatheter for Coiling 	<ul style="list-style-type: none"> • Mechanical Detachable Coil II • Microcatheter for Flow Diverter 	<ul style="list-style-type: none"> • Flow Diverter 	<ul style="list-style-type: none"> • Self-expandable Intracranial Stent 		
	Intracranial Access	<ul style="list-style-type: none"> • SilverSnake® Intracranial Support Catheter • Microcatheter for Clot Retriever • Distal Access Catheter • SilverSnake® Standard Intracranial Support Catheter • Neurovascular Guidewire • Intermediate Catheter 		<ul style="list-style-type: none"> • Radial Access Catheter • Radial Access Distal Support Catheter 			
	Carotid Artery Stenosis	<ul style="list-style-type: none"> • Carotid Rx PTA Balloon Catheter 	<ul style="list-style-type: none"> • Embolic Protection System 	<ul style="list-style-type: none"> • Carotid Stent 			
Peripheral-Vascular Interventional	Arterial	<ul style="list-style-type: none"> • UltraFree® Drug Coated PTA Balloon Catheter (UltraFree® DCB) • PTA Balloon Catheter • Second Generation PTA Balloon Catheter • Endovascular Snare 	<ul style="list-style-type: none"> • Second Generation UltraFree® Drug Coated PTA Balloon Catheter • Long Tapered PTA Balloon Catheter 	<ul style="list-style-type: none"> • PTA Scoring Balloon Catheter • Multi-spot Stent System 	<ul style="list-style-type: none"> • Peripheral Drug-Eluting Stent System • Drug Coated PTA Balloon Catheter-BTK • IVL System 	<ul style="list-style-type: none"> • Balloon Expandable Covered Stent 	
	Venous	<ul style="list-style-type: none"> • Snare Retrieval Kit for IVC Filter • Endovenous Radiofrequency Ablation (RFA) Catheter • Radiofrequency Generator • PTA Balloon Catheter Large Diameter • Infusion Catheter • Retrievable Inferior Vena Cava Filter 	<ul style="list-style-type: none"> • Peripheral Venous Stent System 	<ul style="list-style-type: none"> • Peripheral Thrombectomy System 			
	Hemodialysis Access	<ul style="list-style-type: none"> • High Pressure PTA Balloon Catheter • Second Generation High Pressure PTA Balloon Catheter 		<ul style="list-style-type: none"> • Drug Coated PTA Balloon Catheter-AV Fistula 			
	Aortic Intervention				<ul style="list-style-type: none"> • Thoracic Aorta Stent Graft System 		
	Peripheral Embolization Intervention			<ul style="list-style-type: none"> • Peripheral Detachable Embolization Coils 			
	Radiological Intervention	<ul style="list-style-type: none"> • TIPS Access Set 					
Vascular Closure Devices		<ul style="list-style-type: none"> • Suture-mediated Closure System 	<ul style="list-style-type: none"> • Vascular Closure System 				

Product Portfolio for Overseas Market

	Product	Phase			Expected Commercial Launch Year
		Preclinical	Clinical Trials	Registration & Approval	
Peripheral-vascular Interventional Devices	ZENFLUXION® Drug Coated PTA Balloon Catheter	CE	Exempted from clinical trial requirement		CE Launched
	ZENFLUXION® Drug Coated PTA Balloon Catheter II		MDR Registration Preparation		2026
	PTA Balloon Catheter	CE	Exempted from clinical trial requirement		CE Launched
	Second Generation PTA Balloon Catheter		MDR Registration Submitted	Exempted from clinical trial requirement	2024
	Peripheral Stent System	CE	Exempted from clinical trial requirement		CE Launched
	Peripheral Drug-Eluting Stent System	CE	Exempted from clinical trial requirement		CE Launched
	High Pressure PTA Balloon Catheter	CE	Exempted from clinical trial requirement		CE Launched
			MDR Registration Preparation	Exempted from clinical trial requirement	2025
	Peripheral Venous Stent System		MDR Registration Submitted		2024
	IVL System		MDR Clinical Preparation		2025
Neurovascular Interventional Devices	Thrombite® Clot Retriever Device	CE	Exempted from clinical trial requirement		CE Launched
	Aspiration Catheter	CE	Exempted from clinical trial requirement		CE Launched
	Microcatheter for Clot Retriever	CE	Exempted from clinical trial requirement		CE Launched
	Neurovascular Embolization Coils		MDR Registration Submitted		2024
			FDA 510K Registration Submitted		2024
	Flow Diverter		MDR Clinical Preparation		2024

CE Considering that clinical evaluation has been provided, under the EU MDD directive, the product has obtained CE marking without clinical trials

Our Neurovascular Products

Our current neurovascular product portfolio covers a full suite of products for five major categories, namely ischemic stroke, hemorrhagic stroke, intracranial stenosis, carotid artery stenosis and intracranial access devices. As at the date of this report, we have 15 neurovascular interventional products approved by the NMPA and four product candidates at the clinical stage. We expect to have 13 more neurovascular interventional products approved by the NMPA by the end of 2025.

Intracranial Ischemic Stroke Treatment

In the field of ischemic neurovascular diseases, in particular intracranial ischemic stroke, we have five product offerings, among which we have launched Thrombite® CRD, intracranial support catheter and balloon guiding catheter (BGC) successfully as a complete three-piece solution for physicians. We are actively promoting our BADDASS (i.e. Balloon guide with large bore Distal access catheter with Dual Aspiration with Stent-retriever as Standard approach) with clot-retrieval modality.

Thrombite® Clot Retriever Device (Thrombite® CRD)

We are improving the adoption of Thrombite® CRD by introducing the holistic three-piece treatment package and BADDASS with clot-retrieval modality.

Clot Retriever Device II (Thrombite® CRD II)

This second-generation Clot Retriever Device is designed with more specifications, offering physicians more choices when dealing with occluded blood vessels of different diameters and thrombus of different sizes.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR CLOT RETRIEVER DEVICE II SUCCESSFULLY.

Intracranial Hemorrhagic Stroke Treatment

In the field of intracranial hemorrhagic stroke, we have two launched products and are developing four product candidates, including four treatment products and two microcatheters.

Neurovascular Embolization Coils

Our neurovascular embolization coil is extra soft and imposes minimal pressure to the aneurysm wall, thus reducing the risk of aneurysm rupture or other injury. Leveraging our unique mechanical detachment mechanism, our neurovascular embolization coil is also easier to be detached from the delivery system. We received the NMPA approval in the fourth quarter of 2021 as expected and have started commercialization in China subsequently. We also submitted applications for the CE Mark and FDA 510K registration in the first half of 2022.

Mechanical Detachable Coil II (Second Generation Neurovascular Embolization Coils)

We have upgraded our neurovascular embolization coils to improve their basket-forming performance. Expected to be launched in 2023, the second-generation neurovascular embolization coils come in more specifications and sizes, offering more options for physicians when dealing with intracranial aneurysms of different sizes.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR MECHANICAL DETACHABLE COIL II SUCCESSFULLY.

Flow Diverter

We plan to use Chinese clinical trial data, supplemented by European clinical data, to apply for the CE Mark and support further commercialization of our flow diverter in the European market in the future.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR FLOW DIVERTER SUCCESSFULLY.

Our Peripheral-Vascular Products

With 13 NMPA-approved products and 13 product candidates in China, we have a comprehensive peripheral-vascular interventional product portfolio covering a full spectrum of arterial and venous products including stents, balloons, catheters and filters. We have six products at the clinical trial stage and five products at the registration stage as at the date of this report. We expect to have 11 more peripheral-vascular interventional products approved by the NMPA by the end of 2025.

Peripheral Arterial Vascular Diseases Treatment

Our peripheral arterial vascular diseases treatment pipeline includes a total of 12 products.

UltraFree® Drug-coated PTA Balloon Catheter (UltraFree® DCB)

Since UltraFree® DCB's launch in November 2020, we have mainly focused our commercialization effort in China. We also obtained CE Mark in October 2020 and commercialized UltraFree® DCB in Europe in the second half of 2021.

The indication expansion of UltraFree® DCB includes the following:

- Drug Coated PTA Balloon Catheter — Below the Knee (BTK): We are in the process of patient enrollment.
- Drug Coated PTA Balloon Catheter — AV Fistula: We finished patient follow-up and expect to file for NMPA registration by the end of 2023.

Second Generation UltraFree® DCB

We have been continuously improving the performance of our UltraFree® DCB, by increasing its flexibility for better crossing, navigation and dilatation performance. For the second generation of UltraFree® DCB, we have improved the materials of the balloon and optimized the structural design of the catheter, strengthening the support of the catheter lumen and enhancing the pushability and bending resistance of the catheter. We have filed for the NMPA registration for the second generation UltraFree® DCB.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR SECOND GENERATION ULTRAFREE® DCB SUCCESSFULLY.

Balloon Expandable Covered Stent

The product integrates a number of innovative technologies developed by us in the key areas of balloon, stent and ePTFE membrane, which can better meet the clinical treatment needs in China. Balloon expandable covered stent is characterized by various clinical advantages, such as reliable delivery, precise positioning, stable release and variable diameter, and is an ideal device for difficult-to-treat diseases such as aortoiliac occlusive disease and subclavian artery occlusion. Currently, only imported products are available in China. We have commenced type testing in early 2023 and expect to launch the product in China in 2027.

Long Tapered PTA Balloon Catheter

The product has the longest balloon length of 300mm in its class and a diameter gradient of 0.5–1.5mm at both ends of the balloon, making it suitable for one-time, precise, convenient, effective and safe interventional treatment of lower extremity atherosclerotic diseases. The product is expected to outperform imported brands in terms of specifications and the ability to meet physicians' needs for the treatment of more complex diseases. We expect to launch the product line in China by the end of 2023.

Peripheral Venous Vascular Diseases Treatment

Our peripheral venous vascular diseases treatment pipeline includes a total of eight products and product candidates, including our retrievable inferior vena cava filter (ZYLOX Octoplus®) and peripheral venous stent system. We are one of the few domestic companies that can provide a comprehensive product offering for the treatment of the most common venous diseases, such as varicose veins, deep vein thrombosis and iliac compression syndrome.

Endovenous Radiofrequency Ablation (RFA) Catheter

Varicose veins (VV) are known as the most common disorder of the venous system and the prevalence of VV in China was 399.4 million in 2019, which accounted for 28.5% of the total population. It is expected to reach 476.6 million in 2030. The product is innovatively designed as a smaller outer diameter 6F ablation catheter, which can be triggered by a single button during the treatment process with easy operation. The temperature of the catheter rapidly rises to a controllable 120°C within 5 seconds, and an ablation treatment cycle can be completed in 20 seconds. This product was approved by the NMPA in August 2022. We are in the process of accelerating the commercialization of the product in China.

Inferior Vena Cava Filter (ZYLOX Octoplus®)

ZYLOX Octoplus® features an innovative design, instant and excellent adherent performance and self-balancing ability, which enables a more accurate release of the product and more efficient thrombus interception in the long term. Meanwhile, ZYLOX Octoplus® is expected to reduce the risk of pulmonary embolism (PE) in patients, providing a longer treatment window for thrombolytic therapy and improving the success rate of deep vein thrombosis (DVT) treatment. ZYLOX Octoplus® was approved by the NMPA in December 2022.

Peripheral Venous Stent System

We have submitted the NMPA registration application and expect to receive the NMPA approval in 2023. We have submitted the CE MDR registration application and expect to launch this product in Europe in 2024.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR PERIPHERAL VENOUS STENT SYSTEM SUCCESSFULLY.

Our Vascular Closure Product

In addition, our product portfolio also includes two vascular closure device candidates. We are the first domestic medical device company to begin developing suture-mediated vascular closure devices.

Suture-Mediated Closure System

Our suture-mediated closure system is used to suture the femoral artery access site after diagnostic or therapeutic interventional procedures and is applicable to procedures with bore sizes ranging between 5F and 29F.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR SUTURE-MEDIATED CLOSURE SYSTEM SUCCESSFULLY.

II. FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this report.

Revenue

During the Reporting Period, we achieved a revenue of RMB230.1 million, representing an increase of 50.7% as compared to the first half of 2022. 72.1% of our revenue was derived from the neurovascular interventional products business and 27.9% was derived from the peripheral-vascular interventional products business. The significant growth of our revenue was primarily attributable to the high sales growth of both neurovascular and peripheral-vascular segments.

The revenue from sales of neurovascular interventional products for the Reporting Period increased by 48.7% as compared to the first half of 2022, primarily because of (i) the continued revenue growth from our key products, such as SilverSnake® Intracranial Support Catheter, Intracranial PTA balloon catheter (Rx) and Thrombite® Clot Retriever Device (Thrombite® CRD) attributable to increasing quality and clinical performance recognition from physicians and our effort in increasing marketing penetration; and (ii) the increased revenue from the Neurovascular Embolization Coils due to accelerated hospital access through the VBPs of most provinces.

The revenue from sales of peripheral-vascular interventional products for the Reporting Period increased by 55.9% as compared to the first half of 2022 because the sales revenue of our UltraFree® Drug Coated PTA Balloon Catheter (UltraFree® DCB), PTA Balloon Catheter and High Pressure PTA Balloon Catheter grew rapidly because of our continuous efforts in gaining market access, increasing hospital penetration and expanding distribution network. The following table sets forth a breakdown of our revenue by product category:

Revenue	Six months ended June 30, 2023 (Unaudited)		Six months ended June 30, 2022 (Unaudited)		Period to period change
	RMB'000	% of total	RMB'000	% of total	
Neurovascular interventional devices	166,038	72.1%	111,630	73.1%	48.7%
Peripheral-vascular interventional devices	64,093	27.9%	41,113	26.9%	55.9%
Total	230,131	100.0%	152,743	100.0%	50.7%

Cost of Sales

Our cost of sales primarily consists of raw materials and consumables used, employee benefits expenses, depreciation of right-of-use assets, depreciation of property, plant and equipment, utilities and office expenses and others.

The Group's cost of sales for the Reporting Period was RMB59.5 million, representing an increase of 59.6% compared to RMB37.3 million for the six months ended June 30, 2022. The increase was primarily attributable to (i) an increase in raw materials and consumables used for sales of our products during the Reporting Period, which was in line with the increased commercialization of our marketed products since June 30, 2022, and (ii) an increase in employee benefits expenses as a result of an increase in the number of our employees for expanded production and operation.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the gross profit of the Group increased by 47.8% from RMB115.5 million for the six months ended June 30, 2022 to RMB170.6 million for the Reporting Period. Our gross profit margin is calculated as gross profit divided by revenue. The gross profit margin of the Group decreased slightly from 75.6% for the six months ended June 30, 2022 to 74.2% for the Reporting Period, mainly due to a small increase in the proportion of revenue contribution by products with slightly decreased profit margins. The profit margins of such products decreased because (i) some products began to be enrolled in the VBP; and (ii) for some other products, we strategically lowered their prices to gain greater market shares in anticipation of the potential VBP.

R&D Expenses

The Group's R&D expenses for the Reporting Period was RMB130.8 million, representing an increase of 39.1% compared to RMB94.0 million for the six months ended June 30, 2022. The increase was primarily attributable to (i) the increased testing, clinical trial and professional services fees from RMB21.7 million for the six months ended June 30, 2022 to RMB49.1 million for the Reporting Period due to advances of the R&D projects; and (ii) the increased number of R&D personnel and thus the increased employee benefits expenses from RMB48.3 million for the six months ended June 30, 2022 to RMB55.6 million for the Reporting Period.

The following table sets forth a breakdown of R&D expenses:

	Six months ended June 30, 2023 (Unaudited) RMB'000	Six months ended June 30, 2022 (Unaudited) RMB'000
R&D Expenses		
Employee benefits expenses	55,641	48,266
Testing, clinical trial and professional services fees for R&D	49,146	21,670
Raw materials and consumables used	15,731	19,062
Others	10,288	5,041
Total	130,806	94,039

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Reporting Period was RMB74.9 million, representing an increase of 40.5% compared to RMB53.3 million for the six months ended June 30, 2022. Such increase was primarily attributable to increased in-person academic marketing activities and traveling and transportation expenses associated with increased sales and promotion activities due to our efforts to increase the hospital penetration of our commercialized products. The selling and distribution expenses as a percentage of overall revenue decreased from 34.9% for the six months ended June 30, 2022 to 32.6% for the Reporting Period. Such decrease was primarily attributable to the increased sales and marketing efficiency due to (i) the increased products launched commercially and the increased number of hospitals penetrated by each product, and (ii) a more extensive sales network and a more experienced sales and marketing team.

Administrative Expenses

The Group's administrative expenses for the Reporting Period was RMB50.4 million, which remained relatively stable compared to RMB49.3 million for the six months ended June 30, 2022. The administrative expenses as a percentage of total revenue decreased significantly to 21.9% from 32.3% for the same period of 2022.

Other Expenses

The Group's other expenses for the Reporting Period was RMB0.6 million, representing an increase of 50.1% compared to RMB0.4 million for the six months ended June 30, 2022.

Other Income

The Group's other income for the Reporting Period was RMB5.2 million, representing an increase of 28.3% compared to RMB4.1 million for the six months ended June 30, 2022, primarily attributable to the increase of government grants.

Other Gains — net

The Group's other gains for the Reporting Period was RMB6.8 million, representing a decrease of 58.2% compared to RMB16.2 million for the six months ended June 30, 2022, primarily due to the a decrease in foreign exchange gains.

Finance Income — net

The Group's finance income — net for the Reporting Period was RMB38.9 million, representing a slight increase of 8.5% from RMB35.9 million for the six months ended June 30, 2022, primarily attributable to an increase in bank interest income in the first half of 2023.

Income Tax Expense

The Group's income tax expense for the Reporting Period was RMB0.3 million, which represented income tax expense resulted from foreign exchange gains. The Group did not incur income tax expense for the six months ended June 30, 2022.

Non-IFRS Measures

To supplement our interim condensed consolidated statement of comprehensive income which are presented in accordance with IFRS, we also use adjusted net loss as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures facilitates a comparison of our operating performance from period to period by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. Such non-IFRS measures allow investors to consider metrics used by our management in evaluating our performance.

From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table shows its reconciliation to loss for the periods indicated:

	Six months ended June 30, 2023 (RMB'000) (Unaudited)	Six months ended June 30, 2022 (RMB'000) (Unaudited)
Loss for the period	(35,514)	(25,504)
Add:		
Share-based compensation ⁽¹⁾	29,992	34,145
Non-IFRS adjusted net profit/(loss) for the period	(5,522)	8,641

Note:

- (1) Share-based compensation is non-operational expenses arising from granting shares through the Employee Incentive Scheme, H Share Scheme and Pre-IPO Share Option Scheme to eligible employees of the Group, the amount of which may not directly correlate with the underlying performance of our business operations.

Capital Management

The primary goal of the Group's capital management is to maintain the Group's stability and growth, safeguard its normal operations and maximize shareholders' value. The Group reviews and manages its capital structure on a regular basis, and makes timely adjustments to it in light of changes in economic conditions.

Liquidity and Financial Resources

The Group's cash and cash equivalents as at June 30, 2023 were RMB1,306.9 million, representing an increase of 8.4% compared to RMB1,205.3 million as at December 31, 2022. The cash and cash equivalents were denominated in RMB, US dollars, Hong Kong dollars and Euro. Term deposits as at June 30, 2023 were RMB1,133.6 million as compared to RMB1,334.2 million as at December 31, 2022. Financial assets measured at fair value were RMB153.4 million as at June 30, 2023 as compared to RMB153.6 million as at December 31, 2022. The management is confident that the Group's financial resources are sufficient for our daily operations. The total available financial resources, including cash and cash equivalents, term deposits and financial assets measured at fair value decreased slightly from RMB2,693.1 million as at December 31, 2022 to RMB2,593.8 million as at June 30, 2023.

We rely on capital contributions by our shareholders as the major sources of liquidity. We also generate cash from our sales revenue of commercialized products. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of commercialized products and by launching new products, as a result of the broader market acceptance of our commercialized products and our continued efforts in marketing and expansion, improving cost control and operating efficiency and accelerating the turnover of trade receivables by tightening our credit policy.

Borrowings and Gearing Ratio

The Group's borrowings as at June 30, 2023 was RMB9.0 million, and as at December 31, 2022, the Group did not have any borrowings.

On June 30, 2023, the Group entered into a loan agreement with a total amount of RMB39.0 million, of which RMB9.0 million had been drawn down as at the date of this report with a maturity of 12 months and at a fixed interest rate of 3.05% per annum. Certain self-developed patents of the Group have been pledged as collateral under this loan agreement.

The gearing ratio (calculated by dividing the sum of borrowings and lease liabilities by total equity) of the Group as at June 30, 2023 was 0.63%, representing an increase of 39.7% compared to 0.45% as at December 31, 2022.

Net Current Assets

The Group's net current assets as at June 30, 2023 were RMB1,696.1 million, representing a decrease of 11.2% compared to net current assets of RMB1,910.5 million as at December 31, 2022.

Foreign Exchange Exposure

We have transactional currency exposures. Certain of our bank balances, trade receivables, other financial assets, other payables and other financial liabilities are dominated in foreign currencies and are exposed to foreign currency risk. Our management monitors foreign exchange exposures and consider appropriate hedging measures when the need arises.

Pledge of Shares

We do not have any pledging of shares by our Single Largest Group of Shareholders.

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2023, we did not hold any significant investments. For the Reporting Period, we did not have material acquisitions or disposals of subsidiaries, associates and joint ventures.

Capital Expenditure

For the six months ended June 30, 2023, the Group's total capital expenditure amounted to approximately RMB114.5 million, which was mainly used in the purchase of property, plant and equipment and intangible assets.

Charge on Assets

As at June 30, 2023, there was no charge on assets of the Group.

Contingent Liabilities

As at June 30, 2023, we did not have any contingent liabilities.

Employees and Remuneration Policies

As at June 30, 2023, we had 707 employees in total (June 30, 2022: 594).

In compliance with the applicable labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations, non-competition and grounds for termination. These employment contracts typically have terms of three years.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries, projects and stock incentive plans to our employees especially key employees.

Future Investment Plans and Expected Funding

The Group will continue to expand its markets in the PRC and globally in order to tap its internal potential and maximize shareholders' interest. The Group will continue to grow through self-development, mergers and acquisitions, and other means. We will employ a combination of financing channels to finance capital expenditures, including but not limit to internal funds and bank loans. As at June 30, 2023, the capital commitments of the Group for property, plant and equipment and investment in venture fund were RMB111.12 million and RMB9.76 million respectively. Save as disclosed, the Group has no other future commitment for material investments or capital assets as at June 30, 2023.

III. PROSPECTS

We plan to implement the following strategies to achieve our mission and vision:

- **Constantly expand our product offering and accelerate innovation given the clinical needs**

With a comprehensive portfolio of 57 products and product candidates, we have been expanding our diversified product portfolio and increasing capital deployment efficiency. Leveraging our internal R&D capabilities, we aim to respond quickly to the evolving clinical needs and to develop innovative products with better clinical performance.

- **Continue to leverage differentiated product positioning and commercialization capabilities to gain market share**

As we strive to launch products with differentiated technical features and product performance, we expect to increase our market share in the neurovascular and peripheral-vascular interventional devices industry with innovative products through professional academic promotions.

- **Continue to invest in the international markets**

In overseas markets, we have made progress in both commercialization and R&D, and we plan to continue the efforts. We are also in the process of establishing a European warehousing and logistics center to improve the efficiency of logistics and distribution in the local market. We will further strengthen partnerships with local physicians and distributors and explore the business cooperation model.

- **Continue to improve our operational efficiency**

Changing industry dynamics, such as the implementations of VBPs and the reimbursement under DRGs, have posed new challenges to medical device companies. We will continue to leverage our in-house R&D technology platforms, the manufacturing expertise and know-how combined with advanced technologies, and the sales and marketing efficiency to facilitate continuous innovation and accelerate commercialization and ultimately improve overall profitability.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

None of the members of the Group has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as contained in Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance practices. Save for the deviation for reasons set out below, during the Reporting Period, the Company has applied the principles of good corporate governance and complied with all the applicable code provisions set out in Part 2 of the CG Code. According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Up to the date of this report, the roles of chairman and chief executive officer were performed by Dr. Jonathon Zhong Zhao, which may be inconsistent with code provision C.2.1. Nevertheless, the Board considers that this arrangement is proper and beneficial to the Group as the stability and efficiency of the Company's operations, as well as the continuity of the Company's policies and strategies, can be maintained. Going forward, the Board will periodically review the effectiveness of this arrangement and considers appointing another individual as the chief executive officer when it thinks appropriate.

The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Supervisors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Since June 30, 2023 and up to the date of this report, the Company is not aware of any other material subsequent events from June 30, 2023 to the date of this report.

REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors, namely Ms. Yun Qiu, Mr. Hongze Liang and Dr. Jian Ji. The chairlady of the Audit Committee is Ms. Yun Qiu who holds the appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2023 with the management and the auditor of the Company.

The independent auditor of the Company, namely PricewaterhouseCoopers, has carried out a review of the interim financial information in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

USE OF NET PROCEEDS FROM IPO AND OVER-ALLOTMENT OPTION

The net proceeds from IPO amounted to approximately HK\$2,477.4 million (equivalent to RMB2,063.6 million); and on July 28, 2021, the Company also received net proceeds of approximately HK\$347.3 million (equivalent to RMB289.7 million) from the full exercise of the Over-allotment Option (collectively, the “**Net Proceeds**”). The Net Proceeds amounts were arrived at after deducting the underwriting commissions payable by us in connection with the Global Offering.

The Company expects to utilize the Net Proceeds in accordance with the intended use and expected timeline previously disclosed in the Prospectus. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Corporate Governance and Other Information

As at the end of the Reporting Period, the Group has used the Net Proceeds as follows:

Intended use of Net Proceeds	Allocation of Net Proceeds RMB in million	Percentage of total Net Proceeds	Net Proceeds unutilized as at January 1, 2023	Net Proceeds utilized during the Reporting Period RMB in million	Net Proceeds unutilized as at the end of the Reporting Period RMB in million	Expected time of full utilization
(1) Ongoing research and development, production and commercialization of our Core Products, namely Thrombite® CRD and Ultrafree® DCB	870.7	37%	389.0	186.7	202.3	Yr2024
(2) Ongoing research and development, production and commercialization of our other five major products, namely our neurovascular embolization coil, flow diverter, retrievable inferior vena cava filter, peripheral venous stent system and suture-mediated closure	258.9	11%	112.4	39.9	72.5	Yr2024
(3) Other 38 products and pipeline candidates in order to develop our product portfolio to provide total solution	941.3	40%	684.6	121.1	563.5	Yr2025
(4) Further upgrade our research and development facility, including software and hardware infrastructures in both Hangzhou and Zhuhai, and planned office expansion and upgrade in Zhuhai	70.6	3%	42.9	4	38.9	Yr2024
(5) Potential strategic acquisition, investments, in-licensing or collaborations	94.1	4%	66.1	—	66.1	Yr2025
(6) Working capital and general corporate purposes	117.7	5%	37.8	34	3.8	Yr2023
Total	2,353.3	100%	1,332.8	385.7	947.1	

CHANGE OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

During the Reporting Period and from June 30, 2023 up to the date of this report, there was no change to information which was required to be disclosed by the Directors, Supervisors and senior management members pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

As at the end of the Reporting Period, other than the Pre-IPO Share Option Scheme, none of the Directors, Supervisors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company. No member of the Group was a party to any arrangements to enable the Directors, Supervisors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

During the Reporting Period, the Company did not grant any rights to acquire benefits by means of the acquisition of Shares or debentures of the Company to any Directors or Supervisors or their respective spouses or minor children under 18, and none of them has exercised such rights.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2023, the interests or short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors and chief executive(s) of the Company are taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾
Dr. Jonathon Zhong Zhao (趙中) ⁽²⁾	Executive Director	Beneficial owner	37,297,792 H Shares (L)	11.49%	12.78%
			5,197,203 ⁽⁵⁾ Domestic Shares (L)	66.79%	
		Interest in controlled corporations	32,733,529 H Shares (L)	10.08%	10.94%
			3,637,058 Domestic Shares (L)	46.74%	
		Interests held jointly with another person	18,588,910 H Shares (L)	5.73%	5.66%
			239,427 Domestic Shares (L)	3.08%	
Mr. Stephen Hui Wang (王暉) ⁽³⁾	Non-executive Director	Interest in controlled corporations	26,131,478 H Shares (L)	8.05%	7.86%
Dr. Zheng Li (李嶢) ⁽²⁾	Executive Director	Beneficial owner	239,427 ⁽⁶⁾ Domestic Shares (L)	3.08%	0.07%
			Interests held jointly with another person	88,620,231 H Shares (L)	
		8,834,261 Domestic Shares (L)		113.53%	

Corporate Governance and Other Information

Name	Position	Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾
Mr. Yang Xie (謝陽) ⁽⁴⁾	Executive Director	Beneficial owner	167,599 ⁽⁷⁾ Domestic Shares (L)	2.15%	0.05%
		Interest in controlled corporation	14,251,425 H Shares (L)	4.39%	4.76%
			1,583,492 Domestic Shares (L)	20.35%	
Ms. Jie Liang (梁捷)	Chairlady of the Supervisory Committee and employee Supervisor	Beneficial owner	179,571 ⁽⁸⁾ Domestic Shares (L)	2.31%	0.05%
Ms. Hongbo Wang (王宏波)	Employee Supervisor	Beneficial owner	71,828 ⁽⁹⁾ Domestic Shares (L)	0.92%	0.02%

Notes:

- (1) The calculation is based on the total number of 7,781,257 Domestic Shares in issue and 324,619,744 H Shares (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme) in issue as at June 30, 2023. The letter "L" denotes the Shareholder's long position in such shares.
- (2) Pursuant to a concert party agreement dated January 21, 2021 (the "**Concert Parties Agreement I**") entered into by and between, among others, Dr. Jonathon Zhong Zhao (趙中) ("**Dr. Zhao**"), Dr. Shengping Sam Zhong (鍾生平) ("**Dr. Zhong**"), Dr. Zheng Li (李嶢) ("**Dr. Li**"), Ms. Na Wei (衛娜) ("**Ms. Wei**"), Zhuhai Tongqiao Investment Center (Limited Partnership)* (珠海通橋投資中心(有限合夥)) ("**Zhuhai Tongqiao**"), Hangzhou Fujiang Investment Partnership (Limited Partnership)* (杭州涪江投資合夥企業(有限合夥)) ("**Hangzhou Fujiang**"), Zhuhai Guichuang Equity Investment Center (Limited Partnership)* (珠海歸創股權投資中心(有限合夥)) ("**Zhuhai Guichuang**"), Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership)* (湖州歸橋企業管理合夥企業(有限合夥)) ("**Huzhou Guiqiao**"), WEA Enterprises, LLC ("**WEA**") and Huzhou Yuyihui Enterprise Management Partnership (Limited Partnership)* (湖州語意慧企業管理合夥企業(有限合夥)) (formerly known as Nanjing Yuyihui Investment Partnership (Limited Partnership)* (南京語意慧投資合夥企業(有限合夥)) ("**Huzhou Yuyihui**") (each, a "**Concert Party**"), the Concert Parties agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the Concert Parties Agreement I. In the event they fail to reach such consensus, each of the Concert Parties shall exercise their respective voting rights in accordance with instructions of Dr. Zhao. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each Concert Party is also deemed to be interested in the interest of other Concert Parties.

As at June 30, 2023, Zhuhai Tongqiao holds 9,136,780 H Shares and 1,015,198 Domestic Shares; Hangzhou Fujiang holds 5,114,645 H Shares and 568,294 Domestic Shares; Zhuhai Guichuang holds 9,862,718 H Shares and 1,095,857 Domestic Shares; and Huzhou Guiqiao holds 8,619,386 H Shares and 957,709 Domestic Shares, all of which being the Employee Incentive Platforms. As the voting rights of each of such Employee Incentive Platform are controlled by Dr. Zhao, by virtue of the SFO, Dr. Zhao is deemed to be interested in the Shares in which such companies are interested.

Corporate Governance and Other Information

- (3) Pursuant to a concert party agreement dated March 11, 2021 (the “**Concert Parties Agreement II**”) entered into by and between, among others, Highlight Medical Limited (“**Highlight Medical**”), Ourea Biotech HK Limited (“**Ourea Biotech**”), Five Investment Limited (“**Five Investment**”), Homehealth Investment Limited (“**Homehealth**”), Ningbo Free Trade Zone Tiesi Equity Investment Partnership (Limited Partnership)* (“**Ningbo Tiesi**”), Suzhou Taihong Jinghui Investment Center (Limited Partnership)* (“**Taihong Jinghui**”) and Ganzhou Titan Equity Investment Partnership (Limited Partnership)* (“**Ganzhou Titan**”) (together, the “**Honghui Shareholders**”), the Honghui Shareholders agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders’ meetings with effect from the date of the Concert Parties Agreement II. In the event they fail to reach such consensus, each of the Honghui Shareholders shall exercise their respective voting rights in accordance with instructions of Five Investment. Therefore, under the SFO, in addition to their respective direct shareholding, each Honghui Shareholder is also deemed to be interested in the interest of other Honghui Shareholders. All of Five Investment, Highlight Medical and Homehealth are controlled by HighLight Capital Partners I L.P., which was managed by its general partner, HighLight Capital GP I Company Limited, which is in turn controlled by Mr. Stephen Hui Wang (王暉) (“**Mr. Wang**”). Thus, HighLight Capital Partners I L.P., HighLight Capital GP I Company Limited and Mr. Wang are deemed to be interested in the interest of Five Investment, Highlight Medical and Homehealth. Ourea Biotech is held by HL Partners II L.P., which is managed by HL GP II Company Limited, which is in turn controlled by Mr. Wang. Therefore, HL Partners II L.P., HL GP II Company Limited and Mr. Wang are deemed to be interested in the interest of Ourea Biotech. Ningbo Tiesi and Ganzhou Titan are both managed by their general partner, Shanghai Hehong Jinghui Equity Investment Management Co., Ltd.* (上海合弘景暉股權投資管理有限公司) (“**Hehong Jinghui**”), which is controlled by Mr. Wang. Thus, Hehong Jinghui and Mr. Wang are deemed to be interested in the interest of Ningbo Tiesi and Ganzhou Titan. Taihong Jinghui is managed by its general partner, Suzhou Yuhui Equity Investment Management Partnership (Limited Partnership)* (蘇州煜暉股權投資管理合夥企業(有限合夥)) (“**Suzhou Yuhui**”), which is in turn managed by its general partner, Jiangsu Highlight Equity Investment Management Co., Ltd.* (江蘇弘暉股權投資管理有限公司) (“**Jiangsu Highlight**”), which is controlled by Mr. Wang. Therefore, Suzhou Yuhui, Jiangsu Highlight and Mr. Wang are deemed to be interested in the interest of Taihong Jinghui.
- (4) Mr. Yang Xie (謝陽) (“**Mr. Xie**”) was granted 36.36% of economic interest in Zhuhai Tongqiao and 51.54% economic interest in Hangzhou Fujiang, both being the Employee Incentive Platforms, and therefore, under the SFO, Mr. Xie is deemed to be interested in 9,136,780 H Shares and 1,015,198 Domestic Shares through Zhuhai Tongqiao and 5,114,645 H Shares and 568,294 Domestic Shares through Hangzhou Fujiang.
- (5) This includes (i) 4,144,199 Domestic Shares beneficially held by Dr. Zhao, and (ii) Dr. Zhao’s entitlement to receive up to 1,053,004 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (6) Dr. Li is entitled to receive up to 239,427 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (7) Mr. Xie is entitled to receive up to 167,599 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (8) Ms. Jie Liang (梁婕) is entitled to receive up to 179,571 Domestic Shares pursuant to the options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (9) Ms. Hongbo Wang (王宏波) is entitled to receive up to 71,828 Domestic Shares pursuant to the options granted to her under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

* For identification purpose only

Save as disclosed above, as at June 30, 2023, none of the Directors, Supervisors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Company based on the public information, as at June 30, 2023, the interests or short positions of persons (other than the Directors, Supervisors and chief executives of the Company) in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which any such persons other than the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾
Dr. Shengping Sam Zhong (鍾生平) ⁽²⁾⁽³⁾	Interest in controlled corporations	13,476,617 H Shares (L)	4.15%	4.05%
	Interests held jointly with another person	75,143,614 H Shares (L)	23.15%	25.34%
		9,073,688 Domestic Shares (L)	116.61%	
WEA Enterprises, LLC ⁽²⁾⁽³⁾	Beneficial owner	13,476,617 H Shares (L)	4.15%	4.05%
	Interests held jointly with another person	75,143,614 H Shares (L)	23.15%	25.34%
		9,073,688 Domestic Shares (L)	116.61%	
Ms. Na Wei (衛娜) ⁽²⁾⁽⁴⁾	Interests held jointly with another person	88,620,231 H Shares (L)	27.30%	29.32%
		8,834,261 Domestic Shares (L)	113.53%	
	Deemed interest	239,427 Domestic Shares (L)	3.08%	0.07%
Huzhou Yuyihui Enterprise Management Partnership (Limited Partnership)* (湖州語意慧企業管理合夥企業(有限合夥)) ⁽²⁾⁽⁴⁾	Beneficial owner	4,983,293 H Shares (L)	1.54%	1.50%
	Interests held jointly with another person	83,636,938 H Shares (L)	25.76%	27.89%
		9,073,688 Domestic Shares (L)	116.61%	
Zhuhai Tongqiao Investment Centre (Limited Partnership)* (珠海通橋投資中心(有限合夥)) ⁽²⁾	Beneficial owner	9,136,780 H Shares (L)	2.81%	3.05%
	Interests held jointly with another person	1,015,198 Domestic Shares (L)	13.05%	26.34%
		79,483,451 H Shares (L)	24.49%	
Hangzhou Fujiang Investment Partnership (Limited Partnership)* (杭州涇江投資合夥企業(有限合夥)) ⁽²⁾	Beneficial owner	5,114,645 H Shares (L)	1.58%	1.71%
		568,294 Domestic Shares (L)	7.30%	
	Interests held jointly with another person	83,505,586 H Shares (L)	25.72%	27.68%
Zhuhai Guichuang Equity Investment Centre (Limited Partnership)* (珠海歸創股權投資中心(有限合夥)) ⁽²⁾	Beneficial owner	9,862,718 H Shares (L)	3.04%	3.30%
		1,095,857 Domestic Shares (L)	14.08%	
	Interests held jointly with another person	78,757,513 H Shares (L)	24.26%	26.09%
Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership)* (湖州歸橋企業管理合夥企業(有限合夥)) ⁽²⁾	Beneficial owner	8,619,386 H Shares (L)	2.66%	2.88%
		957,709 Domestic Shares (L)	12.31%	
	Interests held jointly with another person	80,000,845 H Shares (L)	24.64%	26.51%
		8,115,979 Domestic Shares (L)	104.30%	

Corporate Governance and Other Information

Name of Shareholder	Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding in the relevant class of shares ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company ⁽¹⁾
Highlight Medical Limited ⁽⁵⁾	Beneficial owner	6,263,113 H Shares (L)	1.93%	8.80%
	Interests held jointly with another person	22,999,479 H Shares (L)	7.09%	
Ourea Biotech HK Limited ⁽⁵⁾	Beneficial owner	5,270,819 H Shares (L)	1.62%	8.65%
	Interests held jointly with another person	23,470,273 H Shares (L)	7.23%	
Homehealth Investment Limited ⁽⁵⁾	Beneficial owner	1,135,349 H Shares (L)	0.35%	8.80%
	Interests held jointly with another person	28,127,243 H Shares (L)	8.66%	
Five Investment Limited ⁽⁵⁾	Beneficial owner	9,227,691 H Shares (L)	2.84%	8.80%
	Interests held jointly with another person	20,034,901 H Shares (L)	6.17%	
Ningbo Free Trade Zone Tiesi Equity Investment Partnership (Limited Partnership)* (寧波保稅區帖斯以股權投資合夥企業(有限合夥)) ⁽⁵⁾	Beneficial owner	2,927,696 H Shares (L)	0.90%	8.80%
	Interests held jointly with another person	26,334,896 H Shares (L)	8.11%	
Suzhou Taihong Jinghui Investment Center (Limited Partnership)* (蘇州泰弘景輝投資中心(有限合夥)) ⁽⁵⁾	Interests held jointly with another person	26,652,951 H Shares (L)	8.21%	8.02%
Ganzhou Titan Equity Investment Partnership (Limited Partnership)* (贛州提坦股權投資合夥企業(有限合夥)) ⁽⁵⁾	Beneficial owner	1,306,810 H Shares (L)	0.40%	8.80%
	Interests held jointly with another person	27,955,782 H Shares (L)	8.61%	
OAP IV (HK) Limited ⁽⁶⁾	Beneficial owner	25,335,535 H Shares (L)	7.80%	7.62%
Future Industry Investment Fund (Limited Partnership)* (先進製造產業投資基金(有限合夥)) ⁽⁷⁾	Beneficial owner	20,470,199 H Shares (L)	6.31%	6.16%
Lake Bleu Capital (Hong Kong) Limited ⁽⁸⁾	Investment Manager	18,052,991 H Shares (L)	5.56%	5.43%
AIHC Master Fund ⁽⁹⁾	Beneficial Owner	18,270,742 H Shares (L)	5.63%	5.50%
Schroders Plc	Investment manager	19,476,000 H Shares (L)	6.00%	5.86%
Quanwei Yuan (袁泉衛) ⁽¹⁰⁾	Beneficial owner	718,282 Domestic Shares (L)	9.23%	0.22%
Ning Pan (潘寧) ⁽¹¹⁾	Beneficial owner	586,597 Domestic Shares (L)	7.54%	0.18%

Notes:

- (1) The calculation is based on the total number of 7,781,257 Domestic Shares in issue and 324,619,744 H Shares (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme) in issue as at June 30, 2023. The letter "L" denotes the Shareholder's long position in such shares.
- (2) Pursuant to the Concert Parties Agreement I, the Concert Parties agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the Concert Party Agreement I. In the event they fail to reach such consensus, each of the Concert Parties shall exercise their respective voting rights in accordance with instructions of Dr. Zhao. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each Concert Party including among others, Dr. Zhong, WEA, Ms. Wei, Huzhou Yuyihui, Zhuhai Tongqiao, Hangzhou Fujiang, Zhuhai Guichuang and Huzhou Guiqiao, are also deemed to be interested in the interest of other Concert Parties.
- (3) Dr. Zhong holds 100% of the equity interests in WEA, which holds 13,476,617 H Shares of our Company (without taking into account any Shares to be issued under the Pre-IPO Share Option Scheme). Therefore, under the SFO, Dr. Zhong is deemed to be interested in 13,476,617 H Shares of our Company through WEA.
- (4) Dr. Li and Ms. Wei are spouses and therefore, under the SFO, Ms. Wei is deemed to be interested in the entitlement of Dr. Li to receive up to 239,427 Domestic Shares pursuant to the options granted to Dr. Li under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (5) Pursuant to the Concert Parties Agreement II, the Honghui Shareholders agreed to act in concert to control the decision-making and operation management of our Company at Board meetings and Shareholders' meetings with effect from the date of the Concert Parties Agreement II. In the event they fail to reach such consensus, each of the Honghui Shareholders shall exercise their respective voting rights in accordance with instructions of Five Investment. Therefore, under the SFO, in addition to their respective direct shareholding, each Honghui Shareholder is also deemed to be interested in the interest of other Honghui Shareholders. All of Five Investment, Highlight Medical and Homehealth are controlled by HighLight Capital Partners I L.P., which was managed by its general partner, HighLight Capital GP I Company Limited, which is in turn controlled by Mr. Wang. Thus, HighLight Capital Partners I L.P., HighLight Capital GP I Company Limited and Mr. Wang are deemed to be interested in the interest of Five Investment, Highlight Medical and Homehealth. Ourea Biotech is held by HL Partners II L.P., which is managed by HL GP II Company Limited, which is in turn controlled by Mr. Wang. Therefore, HL Partners II L.P., HL GP II Company Limited and Mr. Wang are deemed to be interested in the interest of Ourea Biotech. Ningbo Tiesi and Ganzhou Titan are both managed by their general partner, Hehong Jinghui, which is controlled by Mr. Wang. Thus, Hehong Jinghui and Mr. Wang are deemed to be interested in the interest of Ningbo Tiesi and Ganzhou Titan. Taihong Jinghui is managed by its general partner, Suzhou Yuhui, which is in turn managed by its general partner, Jiangsu Highlight, which is controlled by Mr. Wang. Therefore, Suzhou Yuhui, Jiangsu Highlight and Mr. Wang are deemed to be interested in the interest of Taihong Jinghui.
- (6) OAP IV (HK) Limited ("**OAP**") is wholly-owned by OrbiMed Asia Partners IV, L.P., which was managed by OrbiMed Asia GP IV, L.P., which was in turn managed by OrbiMed Advisors IV Limited, a company jointly controlled by David Guowei Wang, Sunny Sharma, Sven H. Borho, William Carter Neild, Jonathan T. Silverstein and Carl L. Gordon. Therefore, OrbiMed Asia Partners IV, L.P., OrbiMed Asia GP IV, L.P., OrbiMed Advisors IV Limited, David Guowei Wang, Sunny Sharma, Sven H. Borho, William Carter Neild, Jonathan T. Silverstein and Carl L. Gordon are deemed to be interested in the interest of OAP under the SFO.
- (7) Future Industry Investment Fund (Limited Partnership)* ("**FIIF**") was managed by its general partner SDIC Fund Management Co., Ltd.* (國投創新投資管理有限公司), which was held as to 40% by China State Investment High-Tech Industrial Investment Co., Ltd.* (中國國投高新產業投資有限公司), which in turn was controlled by State Development and Investment Corporation* (國家開發投資集團有限公司). Therefore, SDIC Fund Management Co., Ltd., China State Investment High-Tech Industrial Investment Co., Ltd. and State Development and Investment Corporation are deemed to be interested in the interest of FIIF under the SFO.
- (8) Lake Bleu Capital (Hong Kong) Limited ("**LBC Capital**") manages both Lake Bleu Prime Healthcare Master Fund Limited ("**Lake Bleu Prime**") and LBC Sunshine Healthcare Fund II L.P. ("**LBC Sunshine**") as a fund manager. LBC Sunshine is an existing Shareholder of the Company and holds 11,353,491 H Shares as at June 30, 2023. Lake Bleu Prime is a cornerstone investor of the Company and subscribed for 3,763,000 H Shares based on the Offer Price of HK\$41.25 (being the mid-point of the Offer Price range) in the Global Offering. Lake Bleu Prime holds 6,699,500 H Shares as at June 30, 2023. LBC Capital is controlled by Mr. Bin Li. Therefore, Mr. Bin Li is deemed to be interested in the 18,052,991 H Shares held by LBC Capital under the SFO.

Corporate Governance and Other Information

- (9) AIHC Master Fund (“**AIHC**”) is an existing Shareholder and a cornerstone investor of the Company, and holds 18,270,742 H Shares. AIHC is wholly-owned by AIH Capital Group Limited, which is in turn wholly-owned by Wei Zhang. Therefore, AIH Capital Group Limited and Wei Zhang are deemed to be interested in the 18,270,742 H Shares held by AIHC under the SFO.
- (10) Mr. Quanwei Yuan (袁泉衛) is entitled to receive up to 718,282 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.
- (11) Dr. Ning Pan (潘寧) is entitled to receive up to 586,597 Domestic Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to the conditions (including vesting conditions) of those options.

* For identification purpose only.

Save as disclosed above, as at June 30, 2023, no person (other than the Directors, Supervisor and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EMPLOYEE INCENTIVE SCHEMES

The Employee Incentive Schemes were approved and adopted by our Board on July 15, 2016, February 24, 2017, June 17, 2020, and January 18, 2021, respectively, and as amended from time to time (collectively, the “**EI Schemes**”). Given the underlying Shares under the EI Schemes had already been issued, no further Shares will be issued for the awards granted or to be granted, and there will not be any dilution effect to the issued Shares upon the vesting of the awards under the EI Schemes.

As at June 30, 2023, the Company had established four Employee Incentive Platforms, namely Hangzhou Fujiang, Zhuhai Guichuang, Zhuhai Tongqiao and Huzhou Guiqiao. The four Employee Incentive Platforms, in aggregate, held 3,637,058 Domestic Shares and 32,733,529 H Shares.

The number of Shares available for grant under the EI Schemes as at January 1, 2023 and June 30, 2023 were 2,522,813 and 892,529, respectively.

Movements of the outstanding awards under the EI Schemes during the six months ended June 30, 2023 are set out below:

Details of the awards granted under the EI Schemes

Categories of Participants	Relevant Employee Incentive Platforms	Date of grant of Awards	Type of Stock	Balance of Number of Shares Involved in the Awards As at Jan 1, 2023	Granted during the Reporting Period	Forfeited during the Reporting Period	Vested during the Reporting Period	Balance of Number of Shares Involved in the Awards As at June 30, 2023
Employee Participants								
1. Connected Person								
Dr. Jonathon Zhong Zhao (趙中)	Huzhou Guiqiao ⁽¹⁾	September 23, 2022		2,031,429	—	—	—	2,031,429
			H	1,828,286	—	—	—	1,828,286
			Domestic	203,143	—	—	—	203,143
Mr. Yang Xie (謝陽)	Zhuhai Guichuang ⁽²⁾	August 1, 2020		913,215	—	—	—	913,215
			H	821,894	—	—	—	821,894
			Domestic	91,321	—	—	—	91,321
	Huzhou Guiqiao ⁽¹⁾	September 23, 2022		295,647	—	—	—	295,647
			H	266,082	—	—	—	266,082
			Domestic	29,565	—	—	—	29,565
Dr. Zheng Li (李嶢)	Zhuhai Guichuang ⁽²⁾	August 1, 2020		876,686	—	—	—	876,686
			H	789,017	—	—	—	789,017
			Domestic	87,669	—	—	—	87,669
Ms. Jie Liang (梁婕)	Zhuhai Guichuang ⁽²⁾	August 1, 2020		365,286	—	—	—	365,286
			H	328,757	—	—	—	328,757
			Domestic	36,529	—	—	—	36,529
	Huzhou Guiqiao ⁽¹⁾	September 23, 2022		193,187	—	—	—	193,187
			H	173,868	—	—	—	173,868
			Domestic	19,319	—	—	—	19,319

Corporate Governance and Other Information

Categories of Participants	Relevant Employee Incentive Platforms	Date of grant of Awards	Type of Stock	Balance of Number of Shares Involved in the Awards As at Jan 1, 2023	Granted during the Reporting Period	Forfeited during the Reporting Period	Vested during the Reporting Period	Balance of Number of Shares Involved in the Awards As at June 30, 2023
Ms. Hongbo Wang (王宏波)	Zhuhai Guichuang ⁽²⁾	August 1, 2020	H	127,854	—	—	—	127,854
			Domestic	115,069	—	—	—	115,069
	Huzhou Guiqiao ⁽¹⁾	September 23, 2022	H	12,785	—	—	—	12,785
			Domestic	32,850	—	—	—	32,850
Mr. Tao Liu (劉濤)	Huzhou Guiqiao ⁽¹⁾	September 23, 2022	H	29,565	—	—	—	29,565
			Domestic	3,285	—	—	—	3,285
2. Other employees	Zhuhai Tongqiao ⁽⁴⁾	August 1, 2020	H	247,961	—	—	—	247,961
			Domestic	223,165	—	—	—	223,165
			Domestic	24,796	—	—	—	24,796
	Hangzhou Fujiang ⁽³⁾	August 1, 2020	H	136,981	—	—	—	136,981
			Domestic	123,283	—	—	—	123,283
			Domestic	13,698	—	—	—	13,698
	Zhuhai Guichuang ⁽²⁾	August 1, 2020	H	193,547	—	—	58,139	135,408
			Domestic	174,192	—	—	52,325	121,867
			Domestic	19,355	—	—	5,814	13,541
	Huzhou Guiqiao ⁽¹⁾	September 23, 2022	H	6,739,523	—	32,185	232,647	6,474,691
			Domestic	6,065,571	—	28,967	209,382	5,827,222
			Domestic	673,952	—	3,218	23,265	647,469
	Huzhou Guiqiao ⁽¹⁾	September 23, 2022	H	2,136,923	—	123,186	—	2,013,737
			Domestic	1,923,231	—	110,867	—	1,812,364
Domestic			213,692	—	12,319	—	201,373	
Huzhou Guiqiao ⁽¹⁾	March 31, 2023	H	—	1,630,284	—	—	1,630,284	
		Domestic	—	1,467,256	—	—	1,467,256	
		Domestic	—	163,028	—	—	163,028	

Note:

- (1) For awards granted under Huzhou Guiqiao on September 23, 2022, subject to the performance targets as stipulated under the grant letter namely, (i) at the Company's level, the targeted revenue and number of products entering the clinical trial stage for each of the three years ending December 31, 2024 being achieved (with the first year's target being nil); and (ii) at the employees' level, the grading of their individual appraisals, 30% of the awards shall vest on December 31, 2022, 30% of the awards shall vest on December 31, 2023 and the remaining 40% of the awards shall vest on December 31, 2024. Among such awards granted under Huzhou Guiqiao, 706,191 had a vesting price of RMB3.6979 per share, which was determined based on the net asset value of the Company as at the date of the Series C+ Financing (as defined in the Prospectus); and 6,348,091 had a vesting price of RMB2.13, which was determined based on the net asset value of the Company as at the date of the Series C Financing (as defined in the Prospectus).

For awards granted under Huzhou Guiqiao on March 31, 2023, subject to the performance targets as stipulated under the grant letter namely, (i) at the Company's level, the targeted revenue for each of the three years ending December 31, 2025 being achieved; and (ii) at the employees' level, the grading of their individual appraisals, 30% of the awards shall vest on December 31, 2023, 30% of the awards shall vest on December 31, 2024 and the remaining 40% of the awards shall vest on December 31, 2025. Such awards had a vesting price of RMB2.13 per share, which was determined based on the net asset value of the Company as at the date of the Series C Financing (as defined in the Prospectus).

- (2) For awards granted under Zhuhai Guichuang on August 1, 2020, they have a vesting price of RMB2.13 per share, which was determined based on the net asset value of the Company as at the date of the Series C Financing (as defined in the Prospectus). Subject to the performance targets as stipulated under the grant letter namely, the grading of the employees' individual appraisals, and the required tenure with the Company, the awards shall vest according to the schedule as stipulated in each grant letter.
- (3) For awards granted under Hangzhou Fujiang on August 1, 2020, they have a vesting price of RMB2.13 per share, which was determined based on the net asset value of the Company as at the date of the Series C Financing (as defined in the Prospectus). Subject to the required tenure with the Company, the awards shall vest according to the schedule as stipulated in each grant letter.
- (4) For the awards granted under Zhuhai Tongqiao on August 1, 2020, they have a vesting price of RMB2.13 per share, which was determined based on the net asset value of the Company as at the date of the Series C Financing (as defined in the Prospectus). Subject to the performance targets as stipulated under the grant letter namely, the grading of the employees' individual appraisals, and the required tenure with the Company, the awards shall vest according to the schedule as stipulated in each grant letter.
- (5) For awards granted prior to March 3, 2022 (being the date on which the H Shares were converted from the Domestic Shares), the closing price of the H Shares immediately before the date on which the awards were granted is not applicable. For awards granted on September 23, 2022, the closing price of the H Shares immediately before the grant date was HK\$8.51. For awards granted on March 31, 2023, the closing price of the H Shares immediately before the grant date was HK\$11.58.
- (6) In relation to the fair value of the awards granted during the Reporting Period, please refer to Note 25 to the *Condensed Consolidated Financial Information* in this report.
- (7) For awards vested during the Reporting Period, the purchase price of the underlying shares is not applicable as (i) for the H Shares, they were converted from the Domestic Shares on March 3, 2022; and (ii) the underlying Domestic Shares were not purchased at the market; whereas the weighted average closing price immediately before the dates on which the awards were vested is approximately HK\$11.77.

PRE-IPO SHARE OPTION SCHEME

The Pre-IPO Share Option Scheme was adopted and approved by resolutions in writing by the Board on January 18, 2021. The purpose of the Pre-IPO Share Option Scheme is to strengthen the human resources management of our Company by providing a means through which the Company may grant equity-based incentives to attract and retain skilled management, R&D, business and marketing personnel in order to raise the competitiveness of our Company. All shares to be issued under the Pre-IPO Share Option Scheme are Domestic Shares of our Company and no further options will be granted after the Listing. Therefore, the number of options available for grant under the Pre-IPO Share Option Scheme as at January 1, 2023 and June 30, 2023 was nil.

As at June 30, 2023, share options have been granted to 22 grantees, including 3 Directors, 2 Supervisors and 17 other employees of our Group (who were granted options to subscribe for 1,460,030 Domestic Shares, 251,399 Domestic Shares and 3,077,118 Domestic Shares, respectively), to subscribe for an aggregate of 4,788,547 Domestic Shares, of which options to subscribe for 95,770 Domestic Shares have been forfeited. During the two years ended December 31, 2022, options to subscribe for 1,407,833 Domestic Shares have become exercisable and options to subscribe for 1,455,719 Domestic Shares have become exercisable, respectively. As at June 30, 2023, the total number of securities available for issue under the Pre-IPO Share Option Scheme is 4,692,777 Domestic Shares, representing approximately 1.41% of the total issued share capital of our Company. In relation to the fair value of the options granted under the Pre-IPO Share Option Scheme, please refer to Note 25 to the *Condensed Consolidated Financial Information* in this report.

Below sets out the details in relation to the movements during the Reporting Period of the outstanding options granted under the Pre-IPO Share Option Scheme.

Category of participants/ Name of Director or Supervisor	Outstanding as at January 1, 2023	Date of Grant	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Exercise Price per Option (RMB)	Exercisable Period (subject to conditions) in the Pre-IPO Share Option Scheme ⁽¹⁾
Employee Participants									
1. Director or Supervisor									
Dr. Jonathon Zhong Zhao (趙中)	1,053,004	June 10, 2021	—	—	—	—	1,053,004	2.13	<ul style="list-style-type: none"> 30% of which have become exercisable on December 1, 2021 30% of which have become exercisable on December 1, 2022 40% of which is expected to become exercisable on December 3, 2023
Mr. Yang Xie (謝陽)	167,599	June 10, 2021	—	—	—	—	167,599	2.13	<ul style="list-style-type: none"> 30% of which have become exercisable on December 1, 2021 30% of which have become exercisable on December 1, 2022 40% of which is expected to become exercisable on December 3, 2023

Corporate Governance and Other Information

Category of participants/ Name of Director or Supervisor	Outstanding as at January 1, 2023	Date of Grant	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2023	Exercise Price per Option (RMB)	Exercisable Period (subject to conditions) in the Pre-IPO Share Option Scheme ⁽¹⁾
Employee Participants									
1. Director or Supervisor									
Dr. Zheng Li (李焜)	239,427	June 10, 2021	—	—	—	—	239,427	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which is expected to become exercisable on December 3, 2023
Ms. Jie Liang (梁婕)	179,571	June 10, 2021	—	—	—	—	179,571	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which is expected to become exercisable on December 3, 2023
Ms. Hongbo Wang (王宏波)	71,828	June 10, 2021	—	—	—	—	71,828	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which is expected to become exercisable on December 3, 2023
2. Other Employees									
17 employees	2,981,348	June 10, 2021	—	—	—	—	2,981,348	2.13	<ul style="list-style-type: none"> • 30% of which have become exercisable on December 1, 2021 • 30% of which have become exercisable on December 1, 2022 • 40% of which is expected to become exercisable on December 3, 2023
Total	4,692,777						4,692,777		

Note:

(1): Subject to the exercising conditions as stipulated under the Pre-IPO Share Option Scheme being met and with reference to the performance targets set namely, (i) at the Company's level, the targeted revenue and number of products entering the clinical trial stage for each of the three years ending December 3, 2023 being achieved (with the first year's target being nil); and (ii) at the employees' level, the grading of their individual appraisals, the options shall be exercisable in three batches in the proportions of 30%, 30% and 40%, respectively as stated in the relevant grant letter. The grantee may exercise the option between the date of vesting of the relevant option and the expiry of the Pre-IPO Share Option Scheme.

H SHARE SCHEME

The Board has resolved at a meeting of the Board held on August 30, 2021, to propose the adoption of the H Share Scheme. The H Share Scheme has been approved by the Shareholders at the extraordinary general meeting held on September 23, 2021.

During the Reporting Period, the Trustee has purchased a total number of 13,000 H Shares on the market at an average price of HKD10.92, pursuant to the H Share Scheme. As at June 30, 2023, 2,724,500 H Shares had been purchased by the Trustee and were held under the H Share Scheme. The share purchase was funded by the Company's own financial resources other than proceeds from the Listing. The Company may instruct the Trustee to make further purchases pursuant to the H Share Scheme and may make further announcements on the status of the H Share Scheme, including the number and price of the H Shares purchased, from time to time.

Subject to the rules of the H Share Scheme, the maximum number of H Shares that will be acquired by the Trustee from time to time shall not be more than 9,972,000 H Shares. The number of awards available for grant under the H Share Scheme as at January 1, 2023 and June 30, 2023 are 9,972,000 and 7,907,937, respectively.

During the Reporting Period, 2,064,063 awards were granted to 12 selected employees under the H Share Scheme.

Below sets out the details in relation to the movements during the Reporting Period of the awards granted under the H Share Scheme:

Category of participants	Date of grant of awards	Number of Shares underlying the awards outstanding as at Jan 1, 2023	Granted during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Vested during the Reporting Period	Number of Shares underlying the awards outstanding as at June 30, 2023
Employee Participants							
Other employees	June 13, 2023	—	2,064,063	—	—	—	2,064,063 ⁽¹⁾

Notes:

- (1) In the event that the underlying Shares of the awards granted will be satisfied by the allotment and issuance of new Shares, the number of H Shares that may be issued in respect of such awards granted during the Reporting Period divided by the weighted average number of H Shares of the Company during the Reporting Period is 0.006.
- (2) Subject to the grading of the employees' individual appraisals conducted, the awards shall vest in four batches in the proportions of 30%, 30%, 20% and 20%, respectively on each of the year end date during 2023 to 2026. Save as aforesaid, the awards granted were not subject to any other performance targets.
- (3) Save for the awards granted to one employee with vesting price of RMB3.6696 per H Share which was determined based on the net asset value of the Company as at the date of the Series C+ Financing (as defined in the Prospectus), all other awards granted during the Reporting Period were not subject to any vesting price.
- (4) The closing price of the underlying H Shares immediately before the date on which the awards were granted was HK\$10.30.
- (5) In relation to the fair value of the awards at the date of grant and the accounting standard and policy adopted, please refer to Note 25 to the *Condensed Consolidated Financial Information* in this report.

Report On Review of Interim Financial Information

To the Board of Directors of Zylox-Tonbridge Medical Technology Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 41 to 76, which comprises the interim condensed consolidated balance sheet of Zylox-Tonbridge Medical Technology Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2023 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 23, 2023

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2023

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	7	230,131	152,743
Cost of sales	8	(59,485)	(37,266)
Gross profit		170,646	115,477
Selling and distribution expenses	8	(74,939)	(53,331)
Administrative expenses	8	(50,358)	(49,284)
Research and development expenses	8	(130,806)	(94,039)
Other income	9	5,198	4,051
Other expenses	9	(620)	(413)
Other gains — net	10	6,752	16,153
Net impairment losses on financial assets		(6)	10
Operating loss		(74,133)	(61,376)
Finance income	11	39,256	36,304
Finance costs	11	(346)	(432)
Finance income — net		38,910	35,872
Loss before income tax		(35,223)	(25,504)
Income tax expense	12	(291)	—
Loss and total comprehensive loss for the period attributable to the equity holders of the Company		(35,514)	(25,504)
Loss per share attributable to the equity holders of the Company			
Basic and diluted loss per share (in RMB per share)	13	(0.11)	(0.08)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Balance Sheet

As at June 30, 2023

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	426,167	290,243
Right-of-use assets	15	44,517	48,136
Intangible assets	16	10,331	9,637
Prepayments and other receivables	19	4,838	10,645
Financial assets at fair value through profit or loss	21	63,871	43,361
Term deposits	22	855,573	789,075
Total non-current assets		1,405,297	1,191,097
Current assets			
Inventories	18	155,339	119,244
Prepayments, other receivables and other current assets	19	60,297	81,025
Trade receivables	20	964	1,014
Financial assets at fair value through profit or loss	21	89,530	110,229
Term deposits	22	277,981	545,140
Cash and cash equivalents	22	1,306,875	1,205,302
Restricted cash	22	815	645
Total current assets		1,891,801	2,062,599
Total assets		3,297,098	3,253,696
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	23	332,401	332,401
Share premium	23	2,270,033	2,270,033
Other reserves	24	958,677	928,685
Treasury shares	23	(33,918)	(33,793)
Accumulated losses		(438,687)	(403,173)
Total equity		3,088,506	3,094,153

Interim Condensed Consolidated Balance Sheet

As at June 30, 2023

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Deferred revenue	27	7,974	—
Lease liabilities	15	4,956	7,459
Total non-current liabilities		12,930	7,459
Current liabilities			
Borrowings	28	9,000	—
Trade and other payables	26	151,420	126,652
Current income tax liabilities		291	—
Contract liabilities	7	16,708	9,601
Lease liabilities	15	5,563	6,543
Forward foreign exchange contract	17	—	278
Other current liabilities	29	12,680	9,010
Total current liabilities		195,662	152,084
Total liabilities		208,592	159,543
Total equity and liabilities		3,297,098	3,253,696

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Director: Jonathon Zhong Zhao

Director: Yang Xie

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2023

	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance as at January 1, 2022 (audited)		332,401	2,270,033	841,007	(9,149)	(289,618)	3,144,674
Comprehensive income:							
Loss for the period		—	—	—	—	(25,504)	(25,504)
Transactions with equity holders of the Company:							
Purchase of treasury shares	23	—	—	—	(22,719)	—	(22,719)
Share-based compensation expenses	25	—	—	34,145	—	—	34,145
Balance as at June 30, 2022 (unaudited)		332,401	2,270,033	875,152	(31,868)	(315,122)	3,130,596
Balance as at December 31, 2022 (audited)		332,401	2,270,033	928,685	(33,793)	(403,173)	3,094,153
Comprehensive income:							
Loss for the period		—	—	—	—	(35,514)	(35,514)
Transactions with equity holders of the Company:							
Purchase of treasury shares	23	—	—	—	(125)	—	(125)
Share-based compensation expenses	25	—	—	29,992	—	—	29,992
Balance as at June 30, 2023 (unaudited)		332,401	2,270,033	958,677	(33,918)	(438,687)	3,088,506

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Note	Six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows used in operating activities			
Cash used in operations		(44,483)	(86,352)
Interest received		25,960	36,186
Net cash used in operating activities		(18,523)	(50,166)
Cash flows generated from/(used in) investing activities			
Purchase of property, plant and equipment and intangible assets		(114,497)	(69,019)
Purchase of term deposits		(397,522)	(1,180,000)
Proceeds from term deposits upon maturity		612,727	1,080,000
Purchase of financial assets at fair value through profit or loss		(109,000)	(189,790)
Proceeds from disposals of financial assets at fair value through profit or loss		111,301	68,333
Proceeds for disposal of property, plant and equipment		27	—
Receipt of government grants related to assets		7,974	—
Net cash generated from/(used in) investing activities		111,010	(290,476)
Cash flows generated from/(used in) financing activities			
Proceeds from borrowings		9,000	—
Principal elements of lease payments		(3,483)	(2,862)
Interest elements of lease payments		(346)	(432)
Cash paid for purchase of treasury shares	23	(125)	(22,719)
Payments of listing expenses		—	(870)
Net cash generated from/(used in) financing activities		5,046	(26,883)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		1,205,302	1,418,359
Exchange gain on cash and cash equivalents and interest receivable		4,040	6,252
Cash and cash equivalents at end of the period	22	1,306,875	1,057,086

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

1 General information

The Company was incorporated in Hangzhou, Zhejiang Province of the People's Republic of China (the “**PRC**”) on November 6, 2012 as a limited liability company. On March 2, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from “Zhejiang Zylox Medical Device Co., Ltd.” to “Zylox-Tonbridge Medical Technology Co., Ltd.”

The Group provides solutions to patients and physicians with a product portfolio covering peripheral-vascular interventional devices and neurovascular interventional devices in the PRC and other countries.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on July 5, 2021.

The interim condensed consolidated financial information is presented in thousands of Renminbi (“**RMB'000**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board of Directors on August 23, 2023.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 and any public announcements made by the Company during the interim reporting period.

3 Accounting policies

The interim condensed consolidated financial information has been prepared under historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss which are carried at fair value. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following new and amended standard has been adopted by the Group for the first time for the financial period beginning on or after January 1, 2023:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates — Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New Standards, amendments to standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group for the reporting period are as follows:

New standards, amendments		Effective for annual periods beginning on or after
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendment to IFRS 16	Lease liability in sale and leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the related impact of the above standards and amendments to standards which are relevant to the Group's operation. There are no other standards that are not yet effective and that are expected to have a material impact on the Group's financial performance and position.

For the six months ended June 30, 2023

4 Estimation

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements of the Group for the year ended December 31, 2022.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2022. There have been no changes in the risk management policies since December 31, 2022.

5.2 Fair value estimation

(a) Fair value hierarchy

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (for example, publicly traded derivatives and equity securities) is based on quoted market at each of the reporting dates.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value at June 30, 2023 and December 31, 2022 on a recurring basis:

As at June 30, 2023:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets:				
Financial assets at fair value through profit or loss ("FVPL")	—	146	153,255	153,401

As at December 31, 2022:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial Assets:				
Financial assets at FVPL	—	—	153,590	153,590
Financial Liabilities:				
Forward foreign exchange contract (Note 17)	—	(278)	—	(278)

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements for the six months ended June 30, 2023 and for the year ended December 31, 2022.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at June 30, 2023 and December 31, 2022.

For the six months ended June 30, 2023

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the financial assets which are measured at amortized cost, approximate their carrying amount as at June 30, 2023 and December 31, 2022.

There were no changes in valuation techniques for the six months ended June 30, 2023 and 2022.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Opening balance	153,590	10,515
Additions	109,000	198,790
Disposals	(111,301)	(68,333)
Gains recognized in profit or loss (<i>Note 10</i>)	1,966	1,812
Closing balance	153,255	142,784

5 Financial risk management (Continued)

5.2 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (Continued)

(i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at June 30, 2023 RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Wealth management products	89,384	Expected return rate	1.0%~3.4%	The higher the expected return rate, the higher the fair value.
Unlisted equity investments	18,700	Discount for lack of marketability ("DLOM")	44.3%	The higher the DLOM, the lower the fair value.
Unlisted debt instruments	45,171	Expected volatility	46.0%~91.3%	The higher the expected volatility, the higher the fair value.
		Risk-free rate	2.8 %~4.8%	The higher the risk-free rate, the lower the fair value.

If the fair values of financial assets at FVPL held by the Group had been 10% higher/lower, the loss before income tax for the six months ended June 30, 2023 would have been RMB15,325,500 lower/higher (six months ended June 30, 2022: RMB14,278,400).

(ii) Valuation process

The finance department of the Group manages the valuation exercise of the investments on a case by case basis. At least once every half year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

6 Segment

The management of the Company has determined the operating segment based on the reports reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company. On this basis, the Group has determined that it only has one operating segment which is the sales of neurovascular and peripheral-vascular interventional devices during the six months ended June 30, 2023 and June 30, 2022.

(i) Revenue from external customers

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
The PRC	223,897	150,017
Others	6,234	2,726
	230,131	152,743

The geographical information above is based on the locations of the customers.

(ii) Non-current assets

All of the non-current assets of the Group are physically located in the PRC.

7 Revenue

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Revenue from sales of goods — at a point in time	230,131	152,743

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Revenue from sales of goods		
— Neurovascular interventional devices	166,038	111,630
— Peripheral-vascular interventional devices	64,093	41,113
	230,131	152,743

For the six months ended June 30, 2023

7 Revenue (Continued)

- (i) The Group recognized the following liabilities related to the contracts with customers:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Contract liabilities	16,708	9,601

Contract liabilities represent advance from customers and are recognized when payments are received before the transfer of goods. Management expects that the transaction price allocated to the unsatisfied contracts as at June 30, 2023 and December 31, 2022 will be recognised as revenue within one year.

- (ii) Revenue recognized that was included in the balance of contract liabilities at the beginning of the period:

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from sales of goods	9,601	3,420

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

8 Expenses by nature

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefits expenses	149,848	131,098
Raw materials and consumables used		
— Cost of sales	38,001	24,024
— Research and development expenses	15,731	19,062
Testing and clinical trial fees	43,967	19,704
Market development expenses	18,244	5,370
Depreciation of property, plant and equipment (Note 14(iii))	11,563	7,237
Utilities and office expenses	11,064	10,261
Professional services	9,785	8,014
Travelling and transportation expenses	7,349	3,422
Depreciation of right-of-use assets, net of amounts capitalized in property, plant and equipment (Note 15(c))	3,399	2,743
Amortization of intangible assets (Note 16(a))	1,407	1,381
Auditor's remuneration		
— Audit service	—	—
— Non-audit service	650	650
Others	4,580	954
Total cost of sales, selling and distribution expenses, administration expenses, research and development expenses	315,588	233,920

For the six months ended June 30, 2023

9 Other income and expenses

Other income

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants (i)	3,741	2,559
Rental income	1,457	1,492
	5,198	4,051

Other expenses

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation of property, plant and equipment (Note 14(iii))	320	413
Other expenses	300	—
	620	413

- (i) The government grants mainly represent subsidies received from the government in relation to the support on certain research and development projects. There are no unfulfilled conditions or other contingencies attached to these grants.

10 Other gains — net

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Foreign exchange gains — net	5,609	14,428
Net fair value gains from FVPL (Note 5(c))	2,390	1,812
Donations	(1,000)	—
Losses on disposal of property, plant and equipment	(1)	(29)
Others	(246)	(58)
Total	6,752	16,153

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

11 Finance income — net

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income:		
Bank interest income	39,256	36,304
Finance costs:		
Interest expense on lease liabilities (Note 15(c))	(346)	(432)
Finance income — net	38,910	35,872

12 Income tax expense

The Group's principal applicable taxes and tax rates are as follows:

(i) Mainland China

Pursuant to the PRC Corporate Income Tax Law and the respective regulations (the “**CIT Law**”), the Group is subject to enterprise income tax at a rate of 25% on the taxable income other than the Company and its subsidiary, Zhuhai Tonbridge Medical Technology Co., Ltd. (“**Zhuhai Tonbridge**”). The Company and Zhuhai Tonbridge were accredited as “High and New Technology Enterprise” (“**High-New Tech Enterprise**”) with a valid period within 3 years since 2022 and 2021 respectively. They are eligible for a corporate income tax rate of 15% for the six months ended June 30, 2023.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from October 1, 2022 onwards, all enterprises are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses.

The tax losses will normally expire within 5 years. The Company's subsidiary Tongqiao Medical Technology (Suzhou) Co., Ltd. (“**Tonbridge Suzhou**”) and Zhiyu Medical Technology (Guangzhou) Co., Ltd. (“**Zhiyu Guangzhou**”) were accredited as “Small and Medium-sized Technological Enterprises” in 2023. Pursuant to the relevant regulations on extending the expiry date of tax losses of High-New Tech Enterprise and Small and Medium-sized Technological Enterprises, the expiry date of the unused tax losses of the Company, Zhuhai Tonbridge, Tonbridge Suzhou and Zhiyu Guangzhou extended from 5 years to 10 years.

The income tax expense has been calculated on the assessable profit for the six months ended June 30, 2023 arising from the Company's certain subsidiary, while there is no provision for taxation for the Group as the companies comprising the Group have no assessable profits for the six months ended June 30, 2022.

12 Income tax expense (Continued)

(ii) Hong Kong

Hong Kong profits tax rate is 8.25% for assessable profits on the first HKD2,000,000 and 16.5% for any assessable profits in excess. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the six months ended June 30, 2023.

According to the Hong Kong tax laws and regulations, the tax losses would be carried forward and deducted for income tax purposes, without expiry date.

No deferred tax asset has been recognized in respect of the tax losses and temporary differences due to the unpredictability of future profit streams.

13 Loss per share

Basic loss per share is calculated by dividing the loss of the Group attributable to equity holders of the Company by weighted average number of ordinary shares outstanding during the six months ended June 30, 2023 excluding treasury shares.

For the six months ended June 30, 2023 and 2022, the Group had potential dilutive shares related to the shares held for Pre-IPO Share Option Scheme (Note 25(b)). Due to the Group's losses, the potential dilutive shares are not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the diluted loss per share is the same as basic loss per share.

The calculations of basic and diluted loss per share are based on:

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	(35,514)	(25,504)
Weighted average number of ordinary shares in issue during the period (thousand)	329,683	330,993
Basic and diluted loss per share (RMB)	(0.11)	(0.08)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

14 Property, plant and equipment

	Buildings RMB'000	Office equipment and furniture RMB'000	Equipment and instruments RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Landscape RMB'000	Total RMB'000
As at December 31, 2022								
(Audited)								
Cost	156,137	7,376	63,205	5,066	77,988	21,702	5,963	337,437
Accumulated depreciation	(6,105)	(3,078)	(19,855)	(2,036)	—	(14,828)	(1,292)	(47,194)
Net book value	150,032	4,298	43,350	3,030	77,988	6,874	4,671	290,243
Six months ended June 30, 2023 (Unaudited)								
Opening net book value	150,032	4,298	43,350	3,030	77,988	6,874	4,671	290,243
Additions	—	388	3,127	54	144,241	25	—	147,835
Disposals	—	—	(28)	—	—	—	—	(28)
Transfer upon completion	990	—	5,981	—	(7,160)	189	—	—
Depreciation charge (Note 8) (Note 9)	(3,232)	(857)	(5,110)	(557)	—	(1,531)	(596)	(11,883)
Closing net book value	147,790	3,829	47,320	2,527	215,069	5,557	4,075	426,167
As at June 30, 2023 (Unaudited)								
Cost	157,127	7,764	72,273	5,120	215,069	21,916	5,963	485,232
Accumulated depreciation	(9,337)	(3,935)	(24,953)	(2,593)	—	(16,359)	(1,888)	(59,065)
Net book value	147,790	3,829	47,320	2,527	215,069	5,557	4,075	426,167

- (i) During the six months ended June 30, 2023, the Group has capitalized the depreciation of right-of-use assets amounting to RMB220,000 to the construction in progress (for the six months ended June 30, 2022: RMB114,000).
- (ii) As at June 30, 2023, the carrying amount of buildings without building ownership certificate was RMB147,790,000 (As at December 31, 2022: RMB150,032,000). The Group is in the process to obtain the certificate.
- (iii) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Research and development expenses	5,212	3,423
Administrative expenses	3,149	2,713
Cost of sales	3,056	1,000
Other expenses	320	413
Selling and distribution expenses	146	101
Total	11,883	7,650

For the six months ended June 30, 2023

15 Right-of-use assets

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Right-of-use assets		
— Land use rights (a)	34,470	34,836
— Buildings (b)	10,047	13,300
	44,517	48,136

(a) Land use rights

The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the lease term is 50 years. The movement of land use rights is analyzed as follows:

	Land use rights RMB'000
As at December 31, 2022 (Audited)	
Cost	36,581
Accumulated amortization	(1,745)
Net book value	34,836
Six months ended June 30, 2023 (Unaudited)	
Opening net book value	34,836
Amortization charge	(366)
Closing net book value	34,470
As at June 30, 2023 (Unaudited)	
Cost	36,581
Accumulated amortization	(2,111)
Net book value	34,470

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

15 Right-of-use assets (Continued)

(b) Buildings

- (i) The Group leases offices for own use. Information about leases for which the Group is a lessee is presented below:

	Buildings <i>RMB'000</i>
As at December 31, 2022 (Audited)	
Cost	21,205
Accumulated depreciation	(7,905)
Net book value	13,300
Six months ended June 30, 2023 (Unaudited)	
Opening net book value	13,300
Depreciation charge	(3,253)
Closing net book value	10,047
As at June 30, 2023 (Unaudited)	
Cost	21,205
Accumulated depreciation	(11,158)
Net book value	10,047

- (ii) Lease liabilities recognized in the balance sheets:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Lease liabilities		
— current	5,563	6,543
— non-current	4,956	7,459
	10,519	14,002

For the six months ended June 30, 2023

15 Right-of-use assets (Continued)**(b) Buildings (Continued)**

(iii) Present value of lease liabilities due:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 1 year	5,563	6,543
Between 1 and 2 years	3,578	4,580
Between 2 and 5 years	1,378	2,879
	10,519	14,002

(c) The amounts recognized in the consolidated statements are as follows:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Depreciation and amortization charge of right-of-use assets		
— Land use rights	366	260
— Buildings	3,253	2,597
Less: amounts capitalized in property, plant and equipment (Note 14 (i))	(220)	(114)
	3,399	2,743
Interest expense (Note 11)	346	432

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

16 Intangible assets

	Non- proprietary technologies <i>RMB'000</i>	Softwares <i>RMB'000</i>	Technologies under research and development <i>RMB'000</i>	Patents <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2022 (Audited)					
Cost	26,670	554	6,980	—	34,204
Accumulated amortization	(24,448)	(119)	—	—	(24,567)
Net book value	2,222	435	6,980	—	9,637
Six months ended June 30, 2023 (Unaudited)					
Opening net book value	2,222	435	6,980	—	9,637
Additions	—	1,201	—	900	2,101
Amortization charge (Note 8)	(1,334)	(64)	—	(9)	(1,407)
Closing net book value	888	1,572	6,980	891	10,331
As at June 30, 2023 (Unaudited)					
Cost	26,670	1,755	6,980	900	36,305
Accumulated amortization	(25,782)	(183)	—	(9)	(25,974)
Net book value	888	1,572	6,980	891	10,331

- (a) Amortization of intangible assets has been charged to the consolidated statements of comprehensive income as follows:

	Six months ended June 30,	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Research and development expenses	1,353	1,344
Administrative expenses	54	37
Total	1,407	1,381

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

17 Financial instruments by Category

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Financial assets		
Financial assets at amortized cost		
Cash and cash equivalents (Note 22)	1,306,875	1,205,302
Term deposits (Note 22)	1,133,554	1,334,215
Restricted cash (Note 22)	815	645
Trade receivables (Note 20)	964	1,014
Prepayment, other receivables and other current assets (excluding non-financial assets) (Note 19)	8,407	6,809
	2,450,615	2,547,985
Financial assets at FVPL (Note 21)	153,401	153,590
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables (excluding non-financial liabilities) (Note 26)	90,776	56,492
Lease liabilities (Note 15)	10,519	14,002
Borrowings (Note 28)	9,000	—
	110,295	70,494
Forward foreign exchange contract	—	278

18 Inventories

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Raw materials	104,306	77,899
Finished goods	36,558	29,324
Work in progress	14,475	12,021
	155,339	119,244

As at June 30, 2023 and December 31, 2022, no inventory provision was made as the net realisable value of the inventory balances was higher than their carrying amounts.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

19 Prepayments, other receivables and other current assets

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Included in non-current assets		
Prepayments:		
Prepayments for purchase of property, plant and equipment	2,962	7,474
Prepayments for purchase of intangible assets	343	1,242
Other receivables:		
Deposits for leases	1,533	1,929
Total	4,838	10,645
Included in current assets		
Prepayments:		
Prepayments for purchase of goods	32,937	43,807
Prepayments for purchase of service	12,570	22,603
Other receivables:		
Deposits for industrial land project performance guarantee and leases	3,594	3,196
Others	3,313	1,711
Less: loss allowance	(33)	(27)
Others:		
Value-added tax recoverable	7,916	9,735
Total	60,297	81,025

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

20 Trade receivables

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade receivables from contracts with customers	982	1,032
Less: loss allowance	(18)	(18)
	964	1,014

- (a) The Group applies the IFRS 9 simplified approach to measure expected credit losses which use a life time expected loss allowance for all trade receivables.

As at June 30, 2023 and December 31, 2022, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Up to 3 months	783	956
3 to 6 months	199	—
Over 6 months	—	76
	982	1,032

The carrying amounts of the Group's trade receivables are denominated in RMB and approximate their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables mentioned above.

As at June 30, 2023 and December 31, 2022, a provision of RMB18,000 was made against the gross amounts of trade receivables respectively.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

21 Financial assets at fair value through profit or loss

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Included in non-current assets		
Investment in a venture fund (b)	25,171	24,661
Convertible note (d)	20,000	—
Strategic investment (c)	18,700	18,700
	63,871	43,361
Included in current assets		
Wealth management products (a)	89,384	110,229
Forward foreign exchange contract	146	—
	89,530	110,229
	153,401	153,590

- (a) The Group entered into contracts to subscribe wealth management products from banks with expected but not guaranteed rates of return ranging from 1.0% to 3.4% per annum for the six months ended June 30, 2023 (2022: 1.4% to 3.4%). The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy and hence they are designated as financial assets at FVPL as at June 30, 2023.
- (b) On September 1, 2021, the Company entered into an agreement with a venture fund for investments in the healthcare sector. The Company subscribed for non-voting participating shares of the venture fund.
- (c) On January 17, 2022, the Company signed an investment agreement with Wire Sciences Medical Technology (Suzhou) Co., Ltd as a strategic investor. The Company agreed to make cash contribution in the amount of RMB18,000,000 to subscribe for 8% of the registered capital of Wire Sciences.
- (d) On April 4, 2023, the Company entered into an agreement to purchase a convertible note issued at a cash consideration of RMB20,000,000. The principal and interest of the note shall be repayable within 16 months unless the Company choose to convert it into equity investment at pre-determined conversion condition. The management designated the above note as financial asset at FVPL.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

22 Cash and cash equivalents, restricted cash and term deposits

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Cash in bank and financial institution	2,441,244	2,540,162
Less: term deposits with initial term of over three months (a)	(1,133,554)	(1,334,215)
Less: restricted cash (b)	(815)	(645)
	1,306,875	1,205,302
	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Cash and cash equivalents, restricted cash and term deposits are denominated in:		
— RMB	2,284,181	2,391,159
— USD	142,514	126,665
— HKD	13,157	22,261
— EUR	1,392	77
	2,441,244	2,540,162

- (a) The directors of the Company considered that the carrying amount of the term deposits with initial terms of over three months approximated to their fair value as at June 30, 2023.

Term deposits with remaining maturity period over 1 year are classified as “non-current assets”.

- (b) Restricted cash

As at June 30, 2023, RMB815,000 was restricted guarantee deposits that is pledged to the bank for forward foreign exchange contract.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

23 Share capital and share premium

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
Issued and fully paid					
As at January 1, 2022 (audited)	332,401,001	332,401	2,270,033	(9,149)	2,593,285
Purchase of treasury shares (Note (a))	—	—	—	(22,719)	(22,719)
As at June 30, 2022 (unaudited)	332,401,001	332,401	2,270,033	(31,868)	2,570,566
As at January 1, 2023 (audited)	332,401,001	332,401	2,270,033	(33,793)	2,568,641
Purchase of treasury shares (Note (a))	—	—	—	(125)	(125)
As at June 30, 2023 (unaudited)	332,401,001	332,401	2,270,033	(33,918)	2,568,516

- (a) On August 13, 2021, the Company entered into an agreement with Futu Trustee Limited (the "Trustee"), where Trustee will purchase shares from the open market and hold on trust for the eligible employees for 2021 H Share Award and Trust Scheme. As at June 30, 2023, 2,724,500 shares in the amount of RMB33,918,338 had been purchased, at average price of HK\$15.10 per share and were held as treasury shares.

For the six months ended June 30, 2023

24 Other reserves

	Capital reserve <i>RMB'000</i>	Share-based compensation expenses <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2022 (Audited)	656,572	139,383	45,052	841,007
Share-based compensation expenses (<i>Note 25</i>)	—	34,145	—	34,145
As at June 30, 2022 (Unaudited)	656,572	173,528	45,052	875,152

	Capital reserve <i>RMB'000</i>	Share-based compensation expenses <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2023 (Audited)	656,572	227,061	45,052	928,685
Share-based compensation expenses (<i>Note 25</i>)	—	29,992	—	29,992
As at June 30, 2023 (Unaudited)	656,572	257,053	45,052	958,677

For the six months ended June 30, 2023

25 Share-based payments

(a) Employee Incentive Schemes and H Share Scheme

(i) Employee Incentive Schemes

Certain eligible employees of the Group were granted with shares of the Company through Hangzhou Fujiang Investment Partnership (Limited Partnership), Zhuhai Tongqiao Investment Center (Limited Partnership), Zhuhai Guichuang Equity Investment Center (Limited Partnership) and Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership) as rewards for their services and in exchange for their full-time devotion and professional expertise. A total number of 1,630,284 shares were awarded to certain employees for the six months ended June 30, 2023.

(ii) H Share Scheme

The Board has resolved at a meeting of the Board held on August 30, 2021 to propose the adoption of the H Share Scheme. The H Share Scheme has been approved by the Shareholders at the extraordinary general meeting held on September 23, 2021. The H Share Scheme is a share award of H Shares and the Trust scheme established by the Company to award certain eligible employees. As at June 30, 2023, the Trustee has purchased a total number of 2,724,500 H shares in the amount of RMB33,918,338 pursuant to the H share scheme, of which, 2,064,063 shares were awarded to certain employees on June 13, 2023.

(iii) Under these employee incentive schemes, the employees were required to complete a service period and meet specified performance targets, if any.

The fair value of services received in return for a share award granted is measured by reference to the fair value of the share awards granted less the consideration received by the Group. The fair value of the share award granted during the six months ended June 30, 2023 was measured using the share price as at the grant date, which was HK\$10.90 and HK\$10.08 respectively (June 30, 2022: nil).

(iv) Movements in the number of shares granted but not vested for the six months ended June 30, 2023 and 2022 are as follows:

	Six months ended June 30,	
	2023	2022
	'000	'000
	(Unaudited)	(Unaudited)
At the beginning of the period	14,292	12,678
Granted during the period	3,694	—
Vested during the period	(292)	(423)
Forfeited during the period	(155)	(37)
At the end of the period	17,539	12,218

25 Share-based payments (Continued)

(b) Pre-IPO Share Option Scheme

On January 18, 2021, the Board of Directors ratified and adopted an equity-settled Pre-IPO Share Option Scheme with an aggregate of 4,788,547 shares of the Company. All the options were granted to certain eligible employees of the Group (collectively, the “Grantees”) in June 2021 and will be vested in batches on vesting dates and shall be subject to the Group’s and the relevant Grantee’s performance target.

- (i) The movements in the number of share options outstanding and their related exercise prices under the Pre-IPO Share Option Scheme are as follows:

	Exercise price per share option <i>RMB</i>	Six months ended June 30,	
		2023 Number of options	2022 Number of options
As at January 1	2.13	4,692,777	4,692,777
Granted and forfeited during the period	2.13	—	—
As at June 30	2.13	4,692,777	4,692,777
Vested and exercisable at June 30	—	2,925,803	1,491,633

- (ii) Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price per share <i>RMB</i>	Share options June 30, 2023	Share options June 30, 2022
June 10, 2021	January 17, 2031	2.13	<u>4,692,777</u>	<u>4,692,777</u>

The remaining contractual life of outstanding share options was 7.6 years and 8.6 years as of June 30, 2023 and 2022.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

25 Share-based payments (Continued)

(b) Pre-IPO Share Option Scheme (Continued)

(iii) Fair value of options granted

The fair value at grant date is independently determined using binomial model, the significant inputs were listed as below:

	Pre-IPO Share Option Scheme
Expected price volatility	59%
Expected option life (year)	10
Risk free interest rate	3.38%
Fair value of ordinary shares (RMB)	25.68–25.90

The volatility factor estimated was based on the historical share price movement of the comparable companies for the period close to the expected time to exercise.

(c) Expenses arising from share-based payment transactions

Total expense for the share-based payments has been charged to the consolidated statements of comprehensive income as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Research and development expenses	13,914	18,629
Selling and distribution expenses	9,356	7,275
Administrative expenses	6,180	8,074
Cost of sales	542	167
Total	29,992	34,145

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

26 Trade and other payables

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade payables (a)	16,348	10,735
Payables for purchase of property, plant and equipment	66,550	36,742
Staff salaries and welfare payables	54,288	61,227
Accrued taxes other than income tax	6,356	8,933
Payables to suppliers of service	4,668	7,520
Others	3,210	1,495
	151,420	126,652

(a) The ageing analysis of trade payables based on invoice date at the respective balance sheet dates is as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 1 year	16,348	10,735

27 Deferred revenue

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Included in non-current liabilities		
Government grants related to assets:	7,974	—

Government grants include subsidies in relation to the construction of plant and equipment. The amount will be transferred to income on a systematic basis upon the commencement of depreciation of relevant assets.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

28 Borrowings

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Current		
Bank borrowings — secured	9,000	—

- (a) On June 30, 2023, the Group entered into a loan agreement with a total amount of RMB39,000,000, of which RMB9,000,000 was drawn down. The interests will be paid monthly at a rate of 3.05% per annum. Certain self-developed patents of the Group have been pledged as collateral under this loan agreement.
- (b) As at June 30, 2023 and December 31, 2022, the Group's borrowings were repayable as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Within 1 year	9,000	—

The carrying amounts of borrowings were denominated in RMB.

29 Other current liabilities

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Provisions for sales rebates	10,561	7,762
Others	2,119	1,248
	12,680	9,010

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

30 Commitments and contingent liabilities

(a) Capital commitments

Capital expenditures contracted for at each balance sheet date, but not yet incurred are as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Property, plant and equipment	111,117	25,460
Investment in venture fund	9,755	9,402
	120,872	34,862

(b) Operating lease commitments

Minimum lease payments under non-cancellable leases (short-term or low-value lease) at the end of each reporting period but not recognized in the financial information are as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Operating lease contract	443	1,017

(c) The Group had no material contingent liabilities as at June 30, 2023 and December 31, 2022.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2023

31 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the six months ended June 30, 2023 and 2022 respectively.

(a) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Share-based compensation expenses	10,339	17,311
Wages, salaries, housing benefits, other social insurance and employee welfare	4,968	4,819
Discretionary bonuses	4,680	596
Pension cost-defined contribution plan	40	50
	20,027	22,776

32 Dividend

No dividend has been paid or declared by the Company for each of the six months ended June 30, 2023 and 2022 respectively.

33 Subsequent events

There is no subsequent event after the reporting period which has material impact to the condensed consolidated interim financial information of the Group.

“AIS”	acute ischemic stroke, one subtype of ischemic intracranial vascular diseases, which is caused by thrombotic or embolic occlusion of an intracranial artery
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“BGC”	balloon guiding catheter, a large lumen catheter with a compliance balloon at the distal tip of the catheter. intending to facilitate the insertion and guidance of an intravascular catheter
“Board”	the board of Directors
“CE Mark”	a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this interim results report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”	Zylox-Tonbridge Medical Technology Co., Ltd. (歸創通橋醫療科技股份有限公司), a limited liability company incorporated in the PRC on November 6, 2012 and converted into a joint stock limited liability company incorporated in the PRC on March 2, 2021, whose predecessor was Zhejiang Zylox Medical Device Co., Ltd. (浙江歸創醫療器械有限公司) and the H Shares of which are listed on the Stock Exchange (stock code: 2190)
“Core Products”	Thrombite® CRD and Ultrafree® DCB, the designated “core products” as defined under Chapter 18A of the Listing Rules
“CRD”	clot retriever device, a minimally invasive device to capture and remove the clot blocking blood vessels to treat neurovascular diseases such as acute ischemic stroke
“DCB”	drug-coated balloon, angioplasty balloons (usually semi-compliant) coated with a cytotoxic chemotherapeutic agent
“Director(s)”	the director(s) of the Company or any one of them

Definitions

“Domestic Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which are subscribed for or credited as paid in Renminbi
“DRG”	diagnosis-related group, a case-mix system to categorize patients with similar clinical diagnoses in order to better control hospital costs and determine payor reimbursement rates
“DVT”	deep vein thrombosis, which occurs when a blood clot forms in one or more of the deep veins in the body, usually in the leg
“Employee Incentive Platforms”	Hangzhou Fujiang Investment Partnership (Limited Partnership)* (杭州涪江投資合夥企業(有限合夥)), Zhuhai Guichuang Equity Investment Center (Limited Partnership)* (珠海歸創股權投資中心(有限合夥)), Zhuhai Tongqiao Investment Center (Limited Partnership)* (珠海通橋投資中心(有限合夥)) and Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership)* (湖州歸橋企業管理合夥企業(有限合夥))
“EVT”	endovascular treatment, a treatment for patients with acute ischemic strokes that removes large stroke-causing clots from the brain
“Global Offering”	the Hong Kong Public Offering and the International Offering (each as defined in the Prospectus)
“Group”, “our”, “us” or “we”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
“H Share Scheme”	the 2021 H Share Award and Trust Scheme adopted by the Company on September 23, 2021
“HKD” or “HK\$”	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“ischemic stroke”	a stroke caused by a blockage in an artery that supplies blood to the brain
“IVC”	inferior vena cava, a large vein that carries the deoxygenated blood from the lower and middle body into the right atrium of the heart

“Listing” or “IPO”	the listing of the H Shares on the Main Board of the Stock Exchange on July 5, 2021
“Listing Date”	the date on which our H Shares are listed and from which dealings are permitted to take place on the Stock Exchange, being July 5, 2021
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
“OEM”	original equipment manufacturer, a company that manufactures parts or products that are intended to be incorporated into end products of other companies
“Over-allotment Option”	the over-allotment option which had been granted by the Company to the relevant underwriters to allot and issue up to an aggregate of 9,000,000 additional H Shares, representing 15% of the offer shares initially available under the Global Offering
“PE”	pulmonary embolism, a blockage in one of the pulmonary arteries in the lungs. Caused by blood clots that travel to the lungs from deep veins in the legs or, rarely, from veins in other parts of the body
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme of our Company approved and adopted by the Board on January 18, 2021, as amended from time to time
“Prospectus”	the prospectus issued by the Company dated June 22, 2021
“PTA”	percutaneous transluminal angioplasty, a percutaneous interventional procedure that can open up blocked peripheral arteries using a catheter with a balloon at the end of it, allowing blood to circulate unobstructed
“R&D”	research and development

Definitions

“Reporting Period”	the six months ended June 30, 2023
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (as amended from time to time)
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares
“Single Largest Group of Shareholders”	refers to Dr. Jonathon Zhong Zhao (趙中), Dr. Shengping Sam Zhong (鍾生平), Dr. Zheng Li (李嶸), Ms. Na Wei (衛娜), Zhuhai Tongqiao Investment Center (Limited Partnership)* (珠海通橋投資中心(有限合夥)), Hangzhou Fujiang Investment Partnership (Limited Partnership)* (杭州涪江投資合夥企業(有限合夥)), Zhuhai Guichuang Equity Investment Center (Limited Partnership)* (珠海歸創股權投資中心(有限合夥)), Huzhou Guiqiao Enterprise Management Partnership (Limited Partnership)* (湖州歸橋企業管理合夥企業(有限合夥)), WEA Enterprises, LLC and Nanjing Yuyihui Investment Partnership (Limited Partnership)* (南京語意慧投資合夥企業(有限合夥))
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“TRA”	trans-radial approach, a minimally invasive approach that allows a catheter to enter the body via the radial artery in the wrist
“Trustee”	Futu Trustee Limited, the trustee appointed by the Company for the purpose of the H Share Scheme
“USD”	United States dollars, the lawful currency of the United States of America
“VBP”	volume-based procurement, a program that enables local governments to procure medical devices in high volume and at low cost, thereby driving down medical expenses for patients
“%”	percent

* For identification purpose only.